

LIFE WITH THE LINCOLN

A HISTORY OF THE LINCOLN NATIONAL
LIFE INSURANCE COMPANY - 1905-1955

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LIFE WITH THE LINCOLN

A HISTORY OF
THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
1905-1955

BY
ROBERT W. STRAIN

Submitted in partial fulfillment of the requirements for the
Doctor of Business Administration degree
in the School of Business
Indiana University
June, 1955

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PREFACE

From the beginning of time man has striven in various ways to achieve perfection. That few have approached success in what perhaps is a worthwhile goal was suggested by the late John Ruskin, 1819-1900, as he reported in Modern Painters, Vol. III:

"The greatest thing a human soul ever does in this world is to see something, and tell what it saw in a plain way. Hundreds of people can talk for one who can think, but thousands can think for one who can see. To see clearly is poetry, prophecy, and religion--all in one."

Perhaps in no line of endeavor does one make himself quite so vulnerable to the criticism of others as when he attempts to write history. The moving events of men and ideas defy complete accuracy of description, for the vicissitudes of Nature and the errors of man are too great to recreate correctly the past. The author recognized this challenge at the outset of this work and approached the task with the humility of an interested and serious student. As the story began to unfold, he began to perceive more of the depth of responsibility in such an assignment. Two years and many revisions later, he was convinced that the elusiveness of accuracy and truth had again made themselves felt.

This history of The Lincoln National Life Insurance Company has been a pleasant task. When President A. J. McAndless, whose death occurred during its preparation, asked me to write it in anticipation of the Company's fiftieth anniversary, he made it clear that the invitation was accompanied with complete freedom of expression, that the "artist was to paint the picture as he saw it." That complete freedom has been retained throughout, and the author has been privileged to probe the innermost recesses of the firm. The officers of the Company have cooperated to the fullest extent, and the cheerfulness with which they have lent their assistance at various times has made the work a memorable experience.

There are at least two approaches which may be (and often are) used in writing business histories. The chronological method is

frequently preferred by writers. Year by year, step by step, the firm is taken through its growth stages until it finally reaches its significant anniversary, at which stage the author may attempt to summate the past happenings and present the overall picture of the company as it grew from an idea into a full blown organization supported by thousands of people. Such an approach has the advantage of giving the reader chronological continuity, but, in a business as varied and interrelated with other areas as is life insurance, the purely chronological method would force him to shift too often from one phase of the business to another. This shifting presents the danger that the reader may lose sight of the evolution in the performance of particularly significant functions within the company.

If the chronological approach had been used in its strict sense in this work, the following stages of development would be revealed. From its organizational date of 1905 in spending its first six years, the Company followed the traditional insurance pattern of growth in establishing itself by securing suitable representation before the American public. During the Company's second phase, from approximately 1911 to 1919, it ventured into new fields--notably, substandard insurance and reinsurance--and began a period of rapid growth. Although still a young concern of relatively small size, it began to manifest the type of aggressive business activity which later was to place it in such a strong competitive position with its older and larger colleagues in the life insurance industry. In the third period, from 1919 to 1929, it continued its growth in these two new fields and consolidated its position--in spite of difficulties during the influenza epidemic following World War I. From 1929 to 1939, its fourth phase, the Company was beset with meeting the investment problems of the depression, but in spite of this it continued to grow and acquired other life insurance companies, thereby adding to its agency forces. Its fifth period of development came in 1939 and lasted until about 1946, during which time it held its own in World War II and experienced a somewhat slower rate of growth than that enjoyed in the Teens and Twenties. Finally, it confronted the problems of inflation from 1946 until 1955 and during this last phase acquired by purchase and reinsurance the business of The Reliance Life Insurance Company of Pittsburgh--which transaction was the largest in the history of life insurance.

A second approach sometimes used by the business historian is that of the functional treatment, in which the author presents each phase of the business as a separate item for attention. Thus, for example, the agency department is kept from the investment department, the underwriting department, the actuarial department, and the legal department. This method is adequate for those readers interested in special areas but again may lose strength in its lack of continuity. Inherently, therefore, to present a thread of evolution through such a purely functional fabric requires special attention directed to that end. In addition, this approach requires constant care to avoid losing sight of the interrelations between segments and the influence of one part of the business upon the contemporary status and development of other parts.

The author of this history has attempted to maximize the advantages of each approach while minimizing their weaknesses. Until 1911, the Company history is treated chronologically, from then on, functionally. By 1911 The Lincoln had seven well defined departments: agency, secretarial, actuarial, medical, auditors, finance, legal, and chief executive. The growth and scope of the Company's activities had reached proportions unmanageable for one man. Departmentalization was the order of the day. In order that some thread of continuity may be discerned in each area, the author has tried to introduce the reader to each specialized area and yet give him some feeling of movement toward the ultimate half century anniversary.

Many parts of The Lincoln's history could be selected for further elaboration, but the scope of this work has been the consideration of the firm as a unit, including for the reader's attention only those aspects which the author felt have affected the course of its growth and development. There may be some who will feel that certain portions of the story have been omitted or inadequately handled. Obviously in so great a task as this--requiring some 2,800 hours of work--decisions have had to be made concerning the most effective manner of portraying with reasonable accuracy the overall development of the Company without undue emphasis to specific areas.

The result here presented is the story of what the author feels is an outstanding American business organization. Starting when the insurance industry was widely upset by the Armstrong Investigation in New York State (1905), it has grown from a small company serving the immediate Fort Wayne area to the ninth largest life insurance company in the United States. Its history is not only a story of growth in the volume of insurance in force but is primarily the story of the ideas and men who have accomplished this growth. In the main it is a story of success, for, although there have been periods of adjustment and remarshalling of forces, on the whole the Company has prospered.

The attention given to the importance of individuals does not mean that this history attempts to glorify any person or group of men in the life of this Company. There is something irritating about a business history which portrays a company's owners or managers as having accomplished their objectives more perfectly than anyone else could do. The reader of such a work is often repelled by this form of persuasion, for the absence of errors makes any human activity seem unnatural. The story as presented here reflects the author's belief that, although the men of The Lincoln, being human, have their foibles and have made their errors, the record reveals that on the whole, their performance has been remarkably free from serious mistakes. The accomplishments have been major, the shortcomings, minor. The author has felt consistently that if the facts are presented in the most accurate manner commensurate with his ability, the position of the firm through its first fifty years could be appraised more intelligently by the reader. Accordingly, the reader's privilege of arriving at his own conclusions is respected by this writer, and he presents this narrative in the hope that it is a help toward achieving that end.

The appearance of my name on the title page would be seriously misleading if I failed to explain that much of the work could not have been accomplished except for the generous and gracious contributions of many interested persons. Within the Company, President Walter O. Menge was most cooperative and offered many valuable suggestions during the course of the book's preparation. A great debt of gratitude is owed Mr. Allen C. Steere, who

continuously piloted the author through the many intricate passageways present in an organization as large as The Lincoln. The materials collected over a period of many years by Mr. John White formed an important contribution to the final synthesis of the work. Many others read parts or all of the manuscript and offered constructive criticisms.

Outside the Company, grateful acknowledgment is due Professors J. Edward Hedges, Joseph Batchelor, and L. L. Waters --all of Indiana University--and Mrs. Dorothy Wikelund. As chairman of the author's doctoral committee in the School of Business, Professor Hedges generously provided valuable guidance throughout the project. The editorial assistance of Professor Batchelor is particularly acknowledged, and the author is grateful to Professor Waters for early assistance in having stimulated the writer's interest in the field of business history. Mrs. Wikelund edited the entire manuscript and assisted the author in many ways in the preparation of the writing. For any errors of omission or commission that may appear, however, the author alone is responsible.

The greatest debt of all is owed my good wife, who, as my "general manager" at home, has cheerfully borne more than her share of neglect these past several years and has consistently given her understanding, patience, and inspiration in more ways than deserved by me.

Finally, in recognition of his instigation of this history and the encouragement extended the author, the volume is gratefully dedicated to the memory of A. J. McAndless.

Robert W. Strain

Indiana University
Bloomington, Indiana
May 2, 1955

SUMMARY TABLE OF CONTENTS

<u>CHAPTER</u>	<u>Page</u>
PREFACE	iii
LIST OF ILLUSTRATIONS	xv
1. ESTABLISHING THE LINCOLN: THE EARLY DAYS . . .	1
2. ARTHUR F. HALL, THE MAN AND THE SALESMAN . . .	29
3. FRANKLIN B. MEAD, THE ACTUARY	43
4. ALVA J. McANDLESS, THE EXECUTIVE	55
5. THE STRUCTURE OF THE FIRM--ITS MANAGEMENT, PERSONNEL, AND PRODUCT	71
6. THE AGENT--HIS STRATEGIC ROLE	89
7. GROWTH BY ANNEXATION: REINSURANCE <u>EN BLOC</u> . .	121
8. ACCEPTING RISKS: STANDARD AND SUBSTANDARD LIFE INSURANCE	137
9. SPREADING RISKS: INDEMNITY REINSURANCE . . .	147
10. THE HOME OFFICE: THE BUILDING AND SELECTED DEPARTMENTS	155
11. THE LINCOLN FOUNDATION	169
12. RETROSPECT AND PROSPECT: THE LINCOLN'S FIRST HALF CENTURY	189
APPENDICES	197
INDEX	233

TOPICAL TABLE OF CONTENTS

<u>CHAPTER</u>	<u>Page</u>
PREFACE	iii
LIST OF ILLUSTRATIONS	xv

The Background

1. ESTABLISHING THE LINCOLN: THE EARLY DAYS	1
1905: Storm In The Air	2
The New Company Movement	4
There Is Only One Name	5
The Fraternal Assurance Society Of America	5
Where Angels Feared--	8
Selling Stock For The Lincoln National	11
Mr. Noble Changes His Mind	13
The Charter Is Granted	14
The Officers Are Selected	16
The Little Company Over The Grocery Store	17
250 Applications Needed	19
The First Statement Of Business	21
1907 And The First Death Claim	22
Samuel M. Foster, The First President	22
Company Character	28

The Leaders

2. ARTHUR F. HALL, THE MAN AND THE SALESMAN	29
New Horizons And Old	29
Newsboy In Indianapolis	29
Customer Riley, et. al.	30
You Can't Keep A Good Boy Down	31
Transition	32
The Epoch With The Lincoln National Begins	33
The Chivalry Of Power	33

Instilling Wisdom	35	
Dame Fortune's Ally	36	
The Patented Milk Can Top	37	
The Social Being	39	
An Organization Is But The Lengthened Shadow Of Its Leader	41	
3. FRANKLIN B. MEAD, THE ACTUARY		43
Men And Ideas	45	
Learning And The Uses Of Learning	46	
The Underwriting Conference	47	
Founder, Gardener, Patron Of The Arts	49	
The Very Human Man	52	
A Distinguished Career	53	
4. ALVA J. McANDLESS, THE EXECUTIVE		55
Capac, Michigan--Learning And Laboring	56	
Grind And Grind Again	57	
The Law Is Out	57	
Steps To The Presidency	58	
Integrity Indeed	59	
His Life Was The Lincoln Life	61	
Foresight--The Man For Tomorrow	63	
Contributions	63	
A Scholar In Business	65	
A Message To The Field	66	
<u>The Business</u>		
5. THE STRUCTURE OF THE FIRM--ITS MANAGEMENT, PERSONNEL, AND PRODUCT		71
Management	71	
Authority And Responsibility	72	
The Conference Plan	74	
"We Just Turned Him Loose"	74	
We Are Common Men	77	

Personnel	78
Democracy At Work	82
Product	83
The 23-Year Endowment	84
The Victory Thrift Policy	85
The Emancipator Plan	87
Entry Into Accident And Sickness	87
 6. THE AGENT--HIS STRATEGIC ROLE	 89
Duties Of An Agent	90
First Agency Convention At Wawasee	91
Paint Houses Or Sell Life Insurance?	92
The Lincoln Rose And Agent Hall	93
The Walter Shepard Story	95
"Agent Of The Devil"	100
A Young Company Is Recognized	107
A. L. Dern, From Pioneer To Lincoln	111
Cecil F. Cross, Agency Leader	114
Early Salesmanship Bulletins	115
Coast To Coast Telephone Broadcast	115
The Fable Of The Last Day	116
The Lincoln Enters Hawaii And The Philippines	117
The Agency In 1955	119
 7. GROWTH BY ANNEXATION: REINSURANCE <u>EN BLOC</u> . . .	 121
1914: The Michigan State Life	123
1917: The Pioneer Life	125
1928: The Merchants Life	127
1933: The Northern States Life	129
1933: The Royal Union Life	130
1951: The Reliance Life	131
 8. ACCEPTING RISKS: STANDARD AND SUBSTANDARD LIFE INSURANCE	 137
A. STANDARD RISKS: Pioneering in Lay	
Underwriting	138
Factors Considered in Underwriting A Risk	139
The Numerical Method	142

B. SUBSTANDARD RISKS: A Mead Contribution	143
"Protection For The Greatest Possible Number At The Lowest Possible Cost"--A. F. Hall	144
McAndless Takes To The Field	145
9. SPREADING RISKS: INDEMNITY REINSURANCE	147
The Need For Reinsurance	147
Its Contribution	148
Facultative Or Automatic	148
The Importance Of Good Faith	149
The Lincoln Enters Reinsurance: 1917	150
Mead's Vision--McAndless' And Kalmbach's Promotions	152
Expansion Into Central And South America	153
<u>The Company</u>	
10. THE HOME OFFICE: THE BUILDING AND SELECTED DEPARTMENTS	155
Moving Day: The Plan--The Performance	155
Choose And Choose Again	157
The Hoosier Youth: A Study In Bronze	160
The Wayne Offices	162
The Actuarial Department	164
The Investment And Mortgage Loan Departments	165
The Personnel And Planning Department	168
11. THE LINCOLN FOUNDATION	169
The Library	170
The Museum	171
The Archives	171
The Duplication Department	172
The Publications	173
The Bureaus	173

Ten Of The Twenty-Four Paintings	174
Abraham Lincoln, The Honest Clerk	174
Lincoln And Son, Tad	176
Lincoln Visiting The Wounded	177
A Great Friend To Little Children	178
Lincoln Proclaims Thanksgiving Day	180
Lincoln's Farewell To His Stepmother	181
Black And Whites By Bracker	182
Dr. Louis A. Warren	185

The Conclusions

12. RETROSPECT AND PROSPECT: THE LINCOLN'S FIRST HALF CENTURY	189
Suggested Causes For The Lincoln's Position Today	191
President Walter Menge	193

Appendices

APPENDIX A	
Officers in 1955	198
APPENDIX B	
Directors in 1955	199
APPENDIX C	
A List of Company Representatives Recognized as "Agent of the Year"	200
APPENDIX D	
<u>Half a Century With The Reliance,</u> by Arch D. West	202
APPENDIX E	
A List of States and Countries in which The Lincoln is Qualified to Conduct Direct Business with Corresponding Dates of Entry	213

APPENDIX F	
Assets and Insurance in Force, 1905-1955	215
APPENDIX G	
Balance Sheet as of December 31, 1954	216
APPENDIX H	
Bibliography	217
Books	217
Periodicals and Company Records	225
INDEX	233

LIST OF ILLUSTRATIONS

	<u>Page</u>
Letter from Robert T. Lincoln	1
Letter from Wilbur Wynant	7
Arthur F. Hall, The Organizer	12
The First Statement of Business	23
The First Death Claim	24
Samuel M. Foster, The First President	27
Arthur F. Hall, in 1921	38
Franklin B. Mead	44
Alva J. McAndless	60
Group Picture of Company Officers in 1942	76
Victory Thrift Policy	86
Walter T. Shepard	98
"Gilliom Sees It Through"	105
A Young Company is Recognized	108
A. L. Dern	112
Lincoln Life Salesmanship Bulletin No. 1	116
"Berry Street, Good Bye!"	156
Telegram from Samuel M. Foster	157
Home Office Building	159
The Manship Statue	161
The Wayne Office	163
Abraham Lincoln, The Honest Clerk	175
Lincoln and Tad	176
Lincoln Visiting the Wounded	177
"A Great Friend to Little Children"	179
Lincoln in White House Office	180
Lincoln's Farewell to his Stepmother	181
Boy Lincoln and his Mother	182
"Lincoln The Railsplitter"	183
Lincoln as President	184
Lincoln at Gettysburg	184
Lincoln Lore No. 1000	186
Walter O. Menge	194

CHAPTER 1

ESTABLISHING THE LINCOLN: THE EARLY DAYS

Take out of your pocket one of Uncle Sam's \$5 bills and look at the face engraved in its center. This is an engraving from the famous Brady photograph of Lincoln made in Washington in 1864 and pronounced by his son, the late Robert T. Lincoln, a "very good photograph of him." This is the picture that has been used by The Lincoln National Life Insurance Company as its trademark on stationery and advertisements since 1928.

Permission to use the name and likeness of the late President was sought from his son by Arthur F. Hall, who was serving in 1905 as secretary of the newly organized insurance group. His letter of request set forth the ambitions and plans of the new organization, and testified that, inspired by Abraham Lincoln, his wisdom and honesty, the new organization hoped to use his name and to make the integrity of Lincoln the ideal of the Company. Robert Lincoln, at that time president of the Pullman Company, promptly wrote his permission:

PULLMAN BUILDING,
CHICAGO.

Manchester, Vermont,
August third, 1905.

Arthur F. Hall, Esq.,
Secretary, The Lincoln National Life
Insurance Company,
Fort Wayne, Indiana.

Dear Sir:

Replying to your note of July 28th, I find no objection whatever to the use of a portrait of my father upon the letterhead of such a life insurance company named after him as you describe; and I take pleasure in enclosing you, for that purpose, what I regard as a very good photograph of him.

Very truly yours,

Robert T. Lincoln

1905: Storm In The Air

The first concept of a new Fort Wayne life insurance organization occurred in 1905 at a time when the established companies of the East were being investigated and insurance scandals filled the press. Indeed, it has been said that at the turn of the century there was a "storm in the air" hovering over insurance.¹ The Lincoln National was born out of the storm.

Way out in Fort Wayne, Indiana, a little group of men sat one evening discussing the great misfortunes of the times, upset like many other people by the turbulence that centered in New York. They mulled over the fact that a Senate investigating committee had been appointed by the New York Legislature to look into the charges that officials of mutual and stock companies had ignored the interests of policyholders and used their vast accumulations of money for their own gain, had engaged in questionable political and legislative activities, and, in short, behaved in such a way that they had destroyed the concept of life insurance as a public trust.

After a long, musing silence one of the group said² slowly and consideringly:

"After all, such abuses are no argument against the value and necessity of life insurance. A man needs

¹Lincoln, Leroy A., "A Half Century," Best's Insurance News, Life Edition, vol. 54, no. 7. November, 1953.

²The following account of this conference was taken from a Company pamphlet, undated, but probably written in 1916. It is impossible to determine whether the reported conversations are exact quotations. They are presented here in the belief that they accurately portray the spirit of the meaning, if not its exact form.

protection for his family today as surely as he has needed it in the past. It is the one indispensable precaution every wise man takes.

"Surely it is possible to organize and manage an insurance company upon the loftiest principles of business ethics, and someone will do it. We are entering a new epoch in life insurance."

Obviously they were all agreed about this, and presently another speculated: "Why couldn't we organize such a company ourselves? With the knowledge gained from our insurance experience and these investigations and from the new laws being enacted, we could avoid many of the pitfalls of the past."

"But I wouldn't touch it," another hastened to put in, "unless its honor is to be kept stainless. With such an ideal, we certainly could develop a great company in time, but now would be the wrong time because of all the suspicion that has been aroused and the prejudices that will result."

"No," was the persuasive answer, "the very need suggests the deed."

And so was planted the seed that was to grow into The Lincoln National.

As the speakers implied, new legislation of a drastic sort in New York as well as many other states had followed the New York formal inquiry. In that state the distinguished counsel was headed by Charles Evans Hughes, later Governor of the State of New York and then Chief Justice of the United States Supreme Court. The results, both immediate and ultimate, were good--the business was cleansed of questionable practices. Misunderstanding was cleared from the public mind as the social value of the institution was revealed. All doubts as to the economic soundness of the basic institution of insurance, when conducted on a proper actuarial basis, were dispelled. The new laws made revisions in commission rates to agents and set up

expense limits within which companies had to operate. The desirability of supervision and control by the States was emphasized, and the groundwork laid for development of a great³ variety of kinds of life insurance to meet all types of needs.

Two decades later the business had earned from Mr. Hughes, in an address to the Association of Life Insurance Presidents, the commendation: "I believe that there is no safer or better-managed business in our country than yours."⁴

The New Company Movement

The Lincoln National, coming into being as part of a strong surge of new public interest in insurance, was but one of the first of scores of new life insurance companies formed throughout the West and South. The unfavorable publicity that had been given the eastern companies was regarded by businessmen elsewhere as providing an opportunity for them to organize their own firms. The idea seemed to be to keep the money at home.

By the end of 1905 there were some 55 legal reserve companies operating in the West: 13 in Indiana, 7 in Iowa, 6 in Illinois, 5 each in Ohio and Nebraska, 3 in Missouri, 2 each in Wisconsin, Minnesota, Colorado, and California, and 1 each in Michigan, Kentucky, Tennessee, South Dakota, Utah, Washington, Oregon, and the Oklahoma Territory.⁵ "Those that survived," commented

³O'Donnell, Terence, History of Life Insurance, Chapter 8. A good discussion of the Armstrong Investigation and subsequent legislation can be found in Clough, Shepard B., A Century of American Life Insurance, 1946, pp. 215-228.

⁴Proceedings of the Twentieth Anniversary Convention of The Association of Life Insurance Presidents, New York, December 9, 10, 1926, p. 17.

⁵Western Underwriter, January, 1906. Additional information on the formation of these new companies may be found in The Younger Life Insurance Companies--Results of the First Decade of the "New Company Movement," Alfred M. Best Company, New York, 1915.

A. J. McAndless, the Company's third president, as he addressed a group of life underwriters in 1953, "were to get three growth-stimulating vitamins. First, the war, with the popularizing effects of the U. S. Government Life Insurance. Second, the influenza epidemic, which brought the public's attention to the benefits of life insurance. Third, the inflationary trend of prices, which made more life insurance a necessity."⁶

There Is Only One Name

The little group that gathered at intervals during the month of April in 1905 to discuss the proposed organization was composed of some of Fort Wayne's most successful representative men in their various lines of endeavor. They determined that any efforts on their part should be devoted to an organization to which they could point with pride in later years. When the question of a name for the new institution was discussed, Perry A. Randall, to whom the City of Fort Wayne has since erected a beautiful monument in its largest park, stated, "We want a name so proud that men and officers will devote their lives to keep it stainless; we want a name so simple and strong that the whole world will remember it and love it. There is only one name in the world that will fill these requirements--Abraham Lincoln."⁷ This met with unanimous approval, and the new company was titled The Lincoln National Life Insurance Company.

The Fraternal Assurance Society of America

In addition to the widespread movement for establishing local companies as a result of the Armstrong Investigation, another factor lent weight to the desire of the Fort Wayne

⁶A speech by A. J. McAndless before the Fort Wayne Life Underwriters Association, May 28, 1953. A copy of this address is kept in The Lincoln's home office files of A. J. McAndless, hereafter referred to as "McAndless files."

⁷Undated Company pamphlet, loc. cit.

group to organize a new company. Many of them were connected with a small assessment association in Fort Wayne, The Fraternal Assurance Society of America, which was continually running into trouble. The manager of this company was in the habit of frequently resigning because of seemingly insuperable business difficulties in directing the Society, but each time he was persuaded to continue with his duties since a replacement for him could not be found. A letter written by the manager and indicative of some of the problems encountered by the organization as early as August, 1902, is reproduced on the following page.

Max Blitz, a successful general insurance agent in Fort Wayne, and others of the group considered that a different type of organization, a legal reserve life insurance company, would cure the defects inherent in the assessment association and provide a graceful solution for the problems at hand. The idea appeared sound, and steps were taken to secure a man to manage the new company. Blitz proposed that a friend of his, William B. Paul, be considered for the position.

The next day or so Blitz was playing a game of billiards with Paul, also his frequent card partner in the game of pedro, and they naturally fell to talking about this new life insurance situation. For some time Paul had considered resigning as the Fort Wayne district manager of one of the companies involved in the Armstrong Investigation. Blitz knew this fact and suggested, "Why couldn't you handle the agency end of the business and be the superintendent of agencies?"⁸ After some discussion Paul liked the idea, and they arranged to meet later at the office of Dan B. Ninde.

Now Ninde was the attorney for the assessment association and later became the first legal counsel for The Lincoln

⁸ Stated by Max Blitz in an interview with the author at Fort Wayne, Indiana, on September 3, 1953.

THE FRATERNAL ASSURANCE SOCIETY

OF AMERICA.

OFFICERS OF THE SUPREME COUNCIL.

NEWTON W. GILBERT, ... *Supreme Past President*
 Lieut. Gov. State of Indiana,
 Br. member of firm of Gilbert, Berghoff & Wood.

PERRY A. RANDALL, ... *Supreme President*
 Attorney at Law.

FRANK K. SAFFORD, ... *Supreme Vice President*
 Barclay & Co., Wholesale Grocer.

FRANK L. JONES, ... *Supreme Secretary*
 Vice Pres. Citizens Trust Co.
 Director Allen Co. Loan & Savings Assn.

ERNEST W. COOK, ... *Supreme Treasurer*
 Sec. Allen Co. Loan & Savings Assn.
 Sec. Citizens Trust Co.

CALVIN H. ENGLISH, M. D., ... *Supreme Medical Director*



DANIEL B. NINDE, ... *Supreme Councilor*
 Attorney-at-Law.

WILSON WYHANT, ... *Supreme Manager*
 Insurance.

HOWELL C. ROCKHILL, ... *Supreme Editor*
 Pres. and Mgr. of Journal-Gazette Co.

J. WEBSTER RILEY, ... *Supreme Chaplain*
 Pastor Plymouth Congregational Church.

MARTIN W. KEMP, ... *Supreme Sergeant at Arms*
 With Penna. Railroad Company.

FAY P. RANDALL, ... *Supreme Guard*
 President Randall Wheel Co.

TELEPHONE 1775.

FORT WAYNE, IND., Aug. 27, 1902. 180

Mr, Frank. K. Safford, Supreme Vice President,
 City,

Dear Sir and Brother:-

We were notified today by the Trust Company, that our bank account is overdrawn and that they will not honor our vouchers, we are now four months old and have 400 members and have used less than one-half the money that I estimated that it would be necessary to use, up to this time.

I have a great deal of hard work to do, in looking after the field work and fulfilling my part of the agreement and for me to have to worry about the financial end and to be hampered in the successful prosecuting of my part of the work 'on the account of the financial affairs is more than you should ask of me, therefore, I deem it necessary to have a Board meeting immediately, in order that we may settle this matter for the future, therefore, I request that you meet Thursday evening, Aug. 28th, at the Supreme Office, this is a very important meeting and I urge that you be present.

S. P. M.

Fraternally yours,
Wilson Wyhant
 Supreme Manager.

SIGNS OF TROUBLE--The Fraternal Assurance Society

National.⁹ After a conference of about an hour, the three men signed a subscription blank for \$1,000 each toward the stock in the proposed new company.

Where Angels Feared--

The next question was who would manage the office. Paul knew a young man by the name of Arthur Hall in Indianapolis, who was also a representative for Paul's company. It was known that Hall had been experiencing some difficulty in placing policies because of the 1905 situation in New York, and Paul thought Hall might be persuaded to interest himself in this new organization. He contacted Hall in Indianapolis, told him what was being done, and suggested a trip to Fort Wayne, with the thought that perhaps room could be made for him in the new organization if the situation appealed to him.

A letter written by Hall in May to the general manager in Indiana of his company reflects some of the problems which he faced at that time in selling life insurance.

⁹A graduate of the United States Naval Academy at Annapolis and the University of Michigan School of Law, Ninde also spent one year at Harvard. In addition to his legal duties with the Company from the start, he took charge of the investments and continued this work until his resignation in January, 1930. A big, broad, and genial man, Ninde delighted in teasing the actuaries. A delegation of school teachers called at his office one day to get advice regarding a proposed pension fund.

"We have consulted several actuaries, Mr. Ninde," said the spokesman of the committee, "but all of them seem prejudiced by their insurance knowledge. Is it possible that we can find an actuary who doesn't know anything about insurance?"

"Why, certainly," replied Ninde, "the woods here are just full of that kind."

The quotations were taken from American Insurance Digest, February 5, 1921.

Indianapolis, Indiana
May 19, 1905

Mr. N. J. Dilday
General Manager for Indiana
Traction Terminal Building
Indianapolis, Indiana

Dear Sir:

As you well know, business here in the city has become extraordinarily hard to write notwithstanding the fact that I have kept full of enthusiasm and have been thoroughly loyal to the company. I have been seriously handicapped on account of conditions in New York. You know of the two \$100,000 cases I lost on Mr. W. C. Bobbs and Mr. C. W. Merrill of the Bobbs-Merrill Company, and of the \$50,000 on L. C. Wainwright, all on account of the (eastern)¹⁰ trouble. The only business I have been able to write in the last 30 days has been a few very small policies.

It may be quite possible that the company will be willing to continue advancing to me as at present, but unless the trouble is settled within a reasonable time, I fear the company may grow weary of the advance.

During the last 30 days I have had offers from different companies, and several very attractive ones, but have turned them down without consideration until this past week. There is now a new company in process of organization in Fort Wayne, Indiana. It is being organized by the richest and most prominent men in that town, among them, presidents of seven banks and trust companies. These gentlemen have offered me one of the vice presidencies of the company with the idea that I should have some agency organization duties. It is proposed to give me a very liberal first year's commission and renewal on all business going on the books of the company. Necessarily I seriously consider

¹⁰Insert by the author.

accepting the proposition. While I have such a thing in mind I deem it appropriate that I say to you that I will place my resignation in your hands if you so desire it, although I have not decided at all to accept the proposition. I truly believe that if the (eastern)¹⁰ trouble were settled today I would not consider any proposition except to stay with (our company)¹⁰ in the work I had begun with it. I can get good men in ordinary times and I can write a good personal business in ordinary times, but the present conditions make the accomplishment of either impossible.

I should like to know whether or not you have any assurances from the East of an early settlement of our trouble and what the Home Office thinks of my continuing with the company.¹¹ It may be that under present conditions, they will welcome the opportunity to dispense with my services. May I not have some expression from you?

Very truly yours,

(Arthur F. Hall)

On arrival in Fort Wayne in the latter part of the preceding month, April, 1905, Hall had found there were seven men willing to put up \$5,000 each to organize a new legal reserve life insurance company. But no other capital was forthcoming to meet the state requirement of \$100,000 before business could

¹⁰Insert by the author.

¹¹Author's note: Hall's contract with Dilday was dated January 16, 1905. Also, a newspaper article from The Indianapolis News, clipped to this letter with a heading, Fort Wayne, Indiana, May 17, 1905, says, "A movement is on foot to organize an old line life insurance company here to be named The Lincoln National Life. It will have a capital stock of \$200,000.00, all paid up within 18 months. The organizers are W. B. Paul, Mr. Hall of Indianapolis, S. M. Foster, W. J. Vesey, Hubert Berghoff, Robert Millard, C. H. Worden and others."

commence. After appraising the situation, Hall agreed to raise the necessary capital, provided the sale of stock was placed exclusively in his hands. As soon as agreement was reached on this, he took off his coat and went to work with vigor. A full-time salary of \$2,600 a year was offered him as Secretary and Manager, and Hall was to manage the office and sell the stock as well as life insurance. In addition to his salary, another incentive was an arrangement to pay him a first year's commission and renewal on all business going on the books of the Company. More will be said about this contract in Chapter 6.

"The job of managing the Company was offered to every experienced life insurance man in town," Hall said at the Lincoln National's 1917 agency convention, "but each in turn wisely shook his head and said, 'It can't be done.' In desperation these gentlemen offered the job to me. With fifteen years' business training on a newspaper and a few months' experience selling life insurance for an eastern company, and consequently no insurance knowledge to speak of, I 'rushed in where angels feared to tread,'--by which I mean, of course, that I accepted the job."¹² A picture of Arthur Hall, the organizer, is reproduced on the following page.

Selling Stock For The Lincoln National

The task of selling \$100,000 of stock in such an untried venture as a life insurance company was no easy matter. Hall was a stranger in Fort Wayne, so his first step was to secure the help of Attorney Dan Ninde. Ninde knew everyone in town and piloted Hall around to the investors of the city. In directing the twofold task of selling stock and canvassing for insurance, the promotional secretary of the organization made the work more difficult for himself but decidedly more advantageous to the organization by allowing no man to invest more than \$5,000 in the enterprise.

¹²Speech file of Arthur Hall in the Company files, hereafter referred to as "Hall files."



ARTHUR F. HALL, THE ORGANIZER

"I scattered the shares because I couldn't buy more than \$5,000 myself, and I didn't propose to put in several years of hard work and then perhaps be kicked

out by some man or small group of men who might own the control," Hall later said. "That was why I insisted that I be allowed to sell all of the stock myself. I wanted to select with great care the men I invited to become shareholders, because I wanted to be certain that no internal troubles would ever develop. Besides, I felt that if such a maximum were set and frequently mentioned, many subscribers who might otherwise consider a \$1,000 venture would subscribe \$5,000 instead. And this seemed to work."¹³

Although the sale of capital stock for the new company was completed in a matter of weeks, the goal was not reached without incident. After the entire issue had been subscribed, it became necessary in many cases to resell the subscribers. Reminiscing in later years about the organizational difficulties of the Company, Hall recalled that after the subscription of stock had been well advanced, the White National Bank was sold to the First National Bank. According to Hall,¹⁴ the White National Bank had been in such bad shape as an aftermath of the 1903 depression that the purchase almost wrecked the First National Bank as well as almost ruining The Lincoln's plans. Many of the people who had subscribed for stock used the sale of the White National Bank and their loss of money thereby as an excuse for not following through on their subscriptions. Typical of these difficulties was the story of how the final block of stock was sold to W. K. Noble of the Noble Machine Company in Fort Wayne.

Mr. Noble Changes His Mind

The stock sale was almost complete and the organizational meeting was planned when Hall received a note from Noble, who had subscribed \$5,000. Noble had changed his mind! When the note was shown to Hall's associates, they felt that this was the last straw and that Noble was one man Hall would be unable to resell.

¹³Ibid.

¹⁴Ibid.

Hall went to see Noble anyway. Noble's personal office was in the far corner of a large room. The customary procedure was to have oneself announced, but Hall felt the situation required more drastic action than that. He admitted himself through the gateway, threaded his way back to Noble's desk, and sat down almost before this gentleman knew he was there. According to Hall,¹⁵ the conversation went something like this:

"What are you doing here?"

"I've come for your check."

"Didn't you get my note?"

"Yes, that's why I'm here."

From there the discussion took an animated and argumentative turn. Hall said he never heard Noble say "No", although it must have been said many times. Finally Noble said, "Well, Hall, if you go after business the way you've gone after me, I don't see what can keep that company from being a success." So saying, he reached for his checkbook.

But Hall was not taking any chances. Upon receiving the check, he boarded a streetcar, went immediately to Noble's bank, had the check certified as a precaution against another change of his mind. Then he took the check to his associates, one of whom was Samuel M. Foster, at that time the organizing president of the new German American National Bank in Fort Wayne. Foster complimented him briefly but genuinely with the remark, "Hall, you'll do!"¹⁶

The Charter Is Granted

Within one month the entire capital stock issue of \$100,000 was placed by this young man of thirty-two and without the

¹⁵Ibid.

¹⁶Ibid.

assistance of any commission salesman. The idea at that time was that the new company was not to be foremost a profit-making scheme; rather its existence was desired in order to have a dependable life insurance company in Fort Wayne to replace the difficulties experienced with the assessment association.

"The Company was organized without expense," Hall said in a speech delivered January 23, 1928. "Not only had no commissions been paid on the sale of stock but very modest salaries were paid. Members of the board and the executive and finance committees all served without pay and continued to do so until the company could afford to pay them. They lent their names and gave their time and attention to the business of the Company, because they had set their hearts on building in Fort Wayne a life insurance company at which no man could ever point the finger of scorn."¹⁷

"I'll not stop to tell you of all the fun we had selling that stock," Hall recounted later.¹⁸ "We finally went over the top, however, and on June 12, 1905, a charter was granted, and we were ready to start business."

In their zeal to organize the Company without expense, the founders failed to use foresight in providing enough money for initial costs. Since the Company's capital (authorized, \$200,000, but issued by 1907, \$150,000--secured by selling 1500 shares at \$100 each) could not be impaired to meet the organizational expenses, all stockholders were assessed in 1907 and 1908 \$25 per share of stock to create an additional fund of \$37,500 for operational purposes. On October 24, 1953, E. H. Redding, the Company's first auditor, hired in 1906,

¹⁷Ibid.

¹⁸Life With The Lincoln, Autumn, 1938, p. 5. This was a Company magazine published for home office employees from 1919 to 1942. For its first two years, it was a quarterly publication; later, monthly.

recalled that collecting these assessments was more difficult than selling the original stock.¹⁹

The Officers Are Selected

In June, 1905, after the sale of stock had been completed, the next matter of business was the selection of officers. The Company's founders approached Samuel M. Foster and offered him the presidency. Foster, then president of the German American National Bank started in March of that year, sighed and replied, "I wish you fellows hadn't offered it, but it will make another depositor for my bank, so I'll take it."²⁰

Dan Nindewas chosen as the legal counsel with offices above the Commercial Bank of Fort Wayne. The man whose main responsibility was the management of this latter bank, Simon Straus, was chosen to be vice president. Straus was a member of the firm of Straus Brothers Bankers, which had headquarters in Ligonier, Indiana. The Company's first treasurer was Howell C. Rockhill, who was also part owner and manager of the Fort Wayne Journal-Gazette. As we have seen, all officers served without salaries during the early years of the Company's operations because the Company could not afford to pay them.

In addition to these officers, Arthur Hall was, of course, the secretary and manager. William B. Paul was chosen to be the superintendent of agencies and served until July, 1905, when Theodore F. Ruhling, a life insurance agent in Fort Wayne, was appointed.

The Board of Directors, which was composed of some of the most respected and successful businessmen in the state, elected a finance and executive committee, to whom was given the management of the company. According to Hall in a speech given

¹⁹Stated by E. H. Redding in an interview with the author at Dallas, Texas, on October 24, 1953.

²⁰Stated by Max Blitz in an interview with John P. White at Fort Wayne in the Summer of 1951, and recorded in a memorandum from White to the author July 14, 1953.

at the first agency convention in 1906,

"This committee is composed of nine men whose aggregate wealth is over \$2 million--men on whose whole being is stamped progress and success--men who have so earned their money that they command the admiration and confidence of all their business associates and of the public. Their average wealth is \$200,000, and their average age, forty-three. So you see the future of every one of them is reasonably assured, and it is not necessary that they draw any money from our Company."²¹

The Little Company Over The Grocery Store

The Lincoln National's pioneers felt that Fort Wayne was a good site for the establishment of their company. As Hall said in a speech delivered in August, 1914,

"When the organization of the Company was conceived, Fort Wayne was chosen because it was surrounded by the richest farming districts in the State and because here could be secured the proper directors, who had not only made successes of their own businesses but whose parents and grandparents had done the same thing."²²

"We opened an office in the old White National Bank quarters at the northwest corner of Clinton and Wayne when the charter was granted in June, 1905," related Hall. "The office help consisted of myself and one lady stenographer. Having been a bookkeeper some years before, I devised the books of account and opened them. The stenographer and I got out the ratebook, the policy forms and

²¹Hall files.

²²Ibid.

the few other forms that we needed. Then we were ready to go after applications."

The office furniture consisted of two straight back chairs and an old cherry table. By the end of that year the office force numbered five people and the Company had \$500,000 of insurance in force.

In 1906 new room was needed. Then the office consisted of eight persons; the insurance in force \$1,800,000. The Company moved to the second floor of the Odd Fellows Building on the northeast corner of Calhoun and Wayne, where it was to remain for the next three years.

In December of 1909 again more space was needed, and the entire seventh floor of the Shoaff Building at the southeast corner of Berry and Calhoun streets was occupied, providing about 6,000 square feet. Insurance in force now was nearing \$5 million and the Company was expanding rapidly.

In the clerical department the help climbed up on high stools facing each other and sharing each other's peanuts and pleasures across the partition which separated the desk with slanting tops into a long row. Miss Nora Shreve got out the agency bulletins. There were eighty-five sent to agents in Indiana and a few in Ohio and Michigan. It wasn't easy sledding in those days when a life insurance salesman was regarded as being engaged in a questionable enterprise. But that merely acted as a spur. They worked the harder, and there were whoops of joy when a \$50,000 policy went through.²³

The last move while the Company was still regarded as young came in 1912 when the office building at 217 East Berry Street was purchased. At first only one floor was occupied over a

²³Life With The Lincoln, October, 1926, p. 15. This was a Company magazine published for its home office employees from May, 1920, until the early 1940's. Originally a monthly publication, it became a quarterly in the last years of its existence.

grocery on the ground level. This prompted competing agents to tag The Lincoln, "the little company over the grocery store."²⁴ Later expansion required the use of more of the building. At the end of this year there were twenty office workers, and insurance in force had almost reached the \$9 million mark. The Company remained at this location until 1923 when its present site at 1301 South Harrison Street, covering half a city block, was occupied.

250 Applications Needed

But to return to 1905, a very necessary preliminary to actual operation was the canvassing for 250 buyers of, or applicants for, insurance. In referring to the formation of the Company, Hall said:

"Although we had been granted our charter, the law required that we should have 250 bona fide applications for policies before we could secure a license to go ahead as an insurance company. We started with three agents--Bill Bishop, Max Blitz,

²⁴In describing the Company in the early years, particularly 1907, 1908, and 1909, Hall said in a speech delivered August 28, 1917, now kept in the Hall files: "She was a lusty infant for the first couple of years but began to lose weight fast just about the time old man mortality started to get in his work on our policyholders. Those were hard days. It was at about that time that a certain nosey man named Matson observed in bold face type in his insurance journal that the stockholders of The Lincoln Life were learning to their sorrow that a few months' experience selling insurance and a set of French whiskers did not necessarily fit a man --meaning me--to manage a life insurance company. There was food for thought. He was right, but he might have been fair enough to add that it did not necessarily unfit him either. I decided, however, that I would give that fellow a run for his money; and with the help of a most loyal executive committee, the good old Lincoln Life gradually outgrew all of the babyhood diseases."

and myself. Before long, W. H. Ingham and one or two others joined our ranks, and early in September we had secured the necessary applications and were granted our license."²⁵

Hall thus began early to surround himself with a staff of capable persons. A builder of men, he was particularly gifted in selecting and developing manpower. People worked not so much for him, as with him. He was the leader, respected and admired, but his leadership was close and not from afar. He was deeply considerate of those with whom he dealt, whether in business or social life, for the difficulties in his early life had given him a sense of humility.²⁶

²⁵Life With The Lincoln, loc. cit.

²⁶The following story appeared in American Insurance Digest, September 3, 1921, p. 3.

Hall's agents undoubtedly were often fired to enthusiasm by his example. A story that shows what they had to live up to in emulating him survives in the archives of the Company.

One winter's night in 1907, the Pennsylvania Flyer, en route from Pittsburgh to Chicago, rolled in to Upper Sandusky, Ohio, at 1:00 a.m., and a weary, sleepy individual pulled himself aboard.

"Porter," he asked, "what time do we get into Fort Wayne?"

"At five minutes past four, sir."

"Well, I must get off there, but don't wake me until we hit the Wabash crossing. You know where it is--just five minutes this side of Fort Wayne, but that's time enough for me to get dressed. Good night."

So exhausted was the passenger that he was asleep the minute he hit his berth. When next he opened his eyes, the porter was shaking him vigorously. Glancing through the train window, he saw the high board fence that formerly paralleled the Pennsylvania Station in Fort Wayne. He was wide awake in a hurry--that board fence meant that the train was already in!

"By golly, you didn't give me much time," he exclaimed as he sat bolt upright in his berth. "I thought I told you to

(cont. on p. 21)

The first Lincoln Life policies were actually issued September 23, 1905, with the first 100 numbers reserved for business converted to this company from the Fraternal Society. This business was underwritten by the Company on a legal reserve basis instead of the assessment basis formerly used by the Fraternal Society. An agreement had been made to pay the directors of the Society a commission on such business since they had lost money in that organization, and W. C. Bishop was hired at a salary of \$15 per week to handle these transactions.

The First Statement Of Business

After operations were begun in September, 1905, fourteen weeks of devoted work were put into the Company before its first year-end financial statement was compiled and prepared in Hall's handwriting. It reflected, perhaps, nothing phenomenal or miraculous but, rather, a sound beginning. Applications for more than \$700,000 of insurance had been secured, of which \$532,000 had been issued and initial premiums paid before the year's end with a total of \$20,859 in

wake me at the Wabash crossing."

"Yes, sir, you did, boss. And I've been trying to wake you up for twenty minutes. We ain't just pulling in to Fort Wayne--we're pulling out!"

The next stop was Plymouth, seventy miles west, and the passenger had to be in Fort Wayne early that morning.

"Open that door!" he yelled at the excited porter after grabbing his overcoat and shoes in one hand and his outer clothing in the other.

A moment later a weird apparition leaped from the steps of the fast moving train and landed in a snow drift along the railroad right of way. Only a hat and long underwear protected him against the near zero weather. But in one hand he held a pair of shoes and an overcoat, and these he proceeded to pull on as soon as he had extricated himself from the snow bank. Thus clad, he hurried back to the railroad station and into the Western Union office, where there was a warm stove. While dressing, he told the startled agent his story."

premiums received. Despite the unavoidable heavy expenses of organizing, this first statement shows an actual surplus of \$3,027. The item in this statement, "Surplus to policy-holders," includes \$110,300 of issued capital stock from the authorized amount of \$200,000, and \$3,027 surplus. The new manager agreed that he would take no commission on policies written on the lives of local stockholders of the Company. He turned these commissions over to the treasury, providing surplus on which to do business. Most of the \$3,027 of surplus, then, if not all, came from this source. This first statement is reproduced on the following page.

1907 And The First Death Claim

The year 1907 saw the Company set up a new business (or issue) department in the person of Miss Ann O'Rourke, who was later to become the wife of Hall in October, 1920. It was her task to prepare in typewriting the Company's policies, which formerly were completed by Hall in longhand. The Company experienced its first death claim this year, a newspaper account of which is reproduced on page 24.

Samuel M. Foster, The First President

Addressing the Tenth Anniversary Agency Banquet on September 13, 1915, Hall introduced the first president of the Company:

"When I came to Fort Wayne ten years ago to assist in organizing the Lincoln National Life, things didn't go smoothly at all. I could not make the necessary progress. It took about two weeks to find the reason. I found that about two-thirds of all the people I interviewed looked over my list of subscribers to stock and said, 'Why, you haven't got Sam Foster. If your scheme is sound, he'll go with you; and if he does, I will, too.' So we got him and we've had him ever since."²⁷

²⁷Hall files.

Statement of Business in December 31, 1905.

First Policy Issued September 23, 1905.

ASSETS.	LIABILITIES.
First mortgage loans at 6 per cent on real estate worth more than double amount loaned... \$44,000 00	Net cash value of all outstanding policies, valuation made by actuary of Auditor of State, according to law\$ 2,514 00
Loans secured by stock..... 54,325.00	Premiums paid in advance 43.67
Cash on deposit in Banks and Trust Companies..... 15,874.26	Commissions due agents 218.41
Interest accrued to Dec. 31, 1905, (not yet due) 764.05	Surplus to policy holders..... 113,237.22
Net deferred and unreported premiums..... 1,133.90	
Total admitted assets... \$116,067.30	Total liabilities..... \$116,067.30
AMOUNT OF INSURANCE IN FORCE DECEMBER 31, 1905, - \$532,000.00	

The Lincoln National Life Insurance Company of Fort Wayne, Indiana.

WAS organized in the fall of 1905, with an authorized capital of \$200,000, and as a legal reserve company operating under the Indiana Compulsory Deposit Law for Legal Reserve Companies, which law affords the insured a greater degree of safety than is furnished by the laws of any other State in the Union.

On the 23rd day of September the Company issued its first policy and the statement given above is the record of the Company's business for the first one hundred days of its activity.

There is nothing phenomenal, nothing miraculous about the results shown in this statement. It is simply a record of what we set out to do and firmly believed that we would accomplish. It shows a good, sound, healthy beginning all along the line.

During the short period of fourteen weeks the **LINCOLN NATIONAL LIFE** has become firmly established in the State of Indiana, to which state it confines its business operations at the present time.

In less than four months' time it has won the unreserved confidence of the insuring public and received its endorsement to the amount of more than \$700,000 insurance applied for, of which amount \$532,000, with a total of \$20,859, in annual premiums, has been accepted and issued to December 31, 1905.

During this same brief period, and notwithstanding the unavoidable heavy initial expenses of organizing and "getting started," the management has successfully carried out its policy of absolute conservatism and economy. Not ONE DOLLAR of the paid in capital has been needed to carry on the work. Moreover a fair margin of that part of first years' premiums by law allowed for expenses of securing business, has been saved, and as a result even the first statement shows an actual surplus of more than \$3,000, exclusive of capital stock.

Nothing could be more gratifying than this proof of wise management which is destined to become the source of large dividend-returns to all policyholders under the provisions of the "ideal" policy sold by the **LINCOLN NATIONAL LIFE**.

The policy contracts of the **LINCOLN NATIONAL LIFE INSURANCE CO.** are the most flexible and equitable contracts of insurance issued, that are consistent with sound insurance principles. Aside from all guaranteed loan values, cash surrender values, paid-up values and automatic extended insurance provisions as contained in the contracts of most other companies, the contract of the **LINCOLN NATIONAL LIFE** provides for an annual accounting of all dividend earnings, and makes dividends, allowed to accumulate for further profits, absolutely non-forfeitable.

For particulars regarding the "IDEAL POLICY" address

THE LINCOLN NATIONAL LIFE INSURANCE CO.,
FORT WAYNE, IND

THE FIRST STATEMENT OF BUSINESS

**FIRST LOSS OF ^{Nov 9/07}
THE LINCOLN LIFE**

**CAME AFTER THE COMPANY HAD
BEEN OPERATING OVER
TWO YEARS.**

WAS A VIOLENT DEATH

**Which Could Not Have Been Antici-
pated by the Medical
Examiner.**

The officers of the Lincoln National Life Insurance company learned through an article in this morning's papers that they had experienced their first death loss.

Delbert Noel, a young man of Co-runna, Ind., was kicked by a horse yesterday and his neck broken. The young man had only paid for his policy three weeks ago.

The company has gone for so long without a death loss that it was getting to be a matter of great interest as to when and where their first claim would come.

The Lincoln is over two years and two months old and has over \$2,000,000 of business in force. It is a remarkable fact that it should have gone so long without having experienced a death loss. No other life insurance company has had such a favorable experience.

Mr. Noel's estate will be paid the \$1,000 immediately upon receipt of the proofs of death at the offices of the company.

THE FIRST DEATH CLAIM

Samuel Monell Foster was born on a farm in New York State in 1851, the youngest of seven children. His school education was temporarily interrupted when at the age of thirteen he took a job as "cash and bundle" boy in a little New York dry goods store. At twenty he went into the dry goods business with a brother at Troy, New York, where he worked for three years before he became dissatisfied with his progress. He felt that to make something of himself he must have an education far superior to that he had acquired in the country school of his childhood. Selling his share of the Troy business, he returned to his father's farm and surrounded himself each night with all the books he believed necessary for preparatory study for college.

When he was twenty-four, he entered Yale University where hard work and persistence won for him graduation in three years and membership in Phi Beta Kappa. Following graduation, he operated a newspaper in Dayton, Ohio, and lost a considerable portion of his savings in the process. He disposed of the paper and joined another brother in Fort Wayne, again in the dry goods business. With but little capital, most of it borrowed, he plugged along until his attention was turned to the manufacture of ladies' shirtwaists, garments which were soon to become vastly popular. The romance of his fortune was to spring from the shirtwaist business, which he started on the counters of his brother's dry goods store.

One winter day in 1884 when all the clerks in the store were idle, and according to Foster, "the thermometer was too low to read,"²⁸ he began to think of some boys' shirtwaists that were excellent sellers. Knowing these waists were hard to get, he wondered if they could be made in the store by the clerks, who could cut them out in idle hours. Walking to the shelf where the waists were usually stocked, he found all of them had been sold.

Inquiry revealed one of his employees had a boy at home who owned such a shirt. It was brought to the store next

²⁸Life With The Lincoln, December, 1930, p. 11.

morning, ripped apart, and a pattern constructed, by which material was cut and sewed together. Here was the beginning of the ladies' shirtwaist industry, for it was only a step to making women's shirtwaists on a larger scale. From the time he started this business until within a few years of his death, Foster operated a large factory engaged in the manufacture of ladies' clothing.

In March of 1905, when he was fifty-four, he organized the German American National Bank, the name of which was changed during World War I to "The Lincoln National Bank" because of the adverse feeling about the name "German."

An untiring civic worker, he joined his brother in donating Foster Park to the City of Fort Wayne. He served as a trustee of Purdue University for six years, was offered but did not accept the Ambassadorship to the Argentine Republic in 1914, and in 1920 was nominated for Lieutenant Governor of Indiana by the Democratic Party.

By the time of Sam Foster's death on April 4, 1935, he had served as president of The Lincoln National Life Insurance Company for its first seventeen years and then as chairman of the board for another twelve years.

Foster's principal contribution to The Lincoln Life was as its financial consultant during its early years. He knew little about insurance, but his knowledge of finance was particularly helpful to the Company when its responsibility as trustee of its policyholders' funds became increasingly great. His full-time activity was devoted to his garment factory and bank, but he still found time to give financial advice to Arthur Hall and the other managing officers of The Lincoln.



David M. Foster

THE FIRST PRESIDENT

Company Character

A company develops a certain character, in heritage from the men who created and built the organization, just as individuals acquire personality and individual traits from their heredity and environment. From this company disposition stem the firm's policies and behavior, which determine the quality of the firm's products, the type of people it employs, its methods of doing business, and the contributions it makes to the industry of which it is a member. This, then, is the important reason for knowing and understanding the leaders of a firm.

Able and admirable men of business as they were, however, Arthur Hall and Samuel Foster and those who joined them in founding the Company could hardly have foreseen the institution which was to grow out of their efforts. Men like Franklin Mead and A. J. McAndless soon were to make their contribution to the movement of service patterned upon the ideals of Abraham Lincoln. It is significant of the spirit of the early leaders that they adopted the slogan, used by the Company to this day, "Its Name Indicates Its Character."

CHAPTER 2

ARTHUR F. HALL, THE MAN AND THE SALESMAN

Pioneering was a heritage to Arthur Hall. Truman Walter Hall, his father, had been among the courageous handful who followed the bidding of Horace Greeley to "Go West, young man!" He had left the East, which was stultified by the slow and painful reconstruction after the Civil War, and with his wife, the former Harriet Beeler, braved the hardships of new frontiers.

New Horizons And Old

Arthur Fletcher Hall was born on May 11, 1872, in Baxter Springs, Kansas, at that time a strategic point in the development of the transcontinental railroad. Here young T. W. Hall and his wife, living in improvised quarters, had started a commissary, or general store. Supplies being scarce, profits were large to those who made it their business to furnish provisions to travelers on their way to the Oklahoma Territory and points west.

But the results of earlier hardships endured while serving as an artillery captain in the Civil War soon were to catch up with T. W. Hall; in 1873 he died at the age of thirty-five, leaving a widow and three small children. The family had gone to Kansas as "people of substance," but after her husband died, Mrs. Hall became almost penniless when the "blue sky boys" persuaded her to sink most of her money in worthless schemes. She was then forced to bring her family back to her old home in Indianapolis. Shortly thereafter, she operated a boarding house to help rear her small children.

Newsboy In Indianapolis

Young Arthur reached out for his first business opportunity at the age of fourteen. While still in school he bought a downtown newspaper route, such routes being owned at that time by the carrier boys. His consisted of about seventy-five

customers, most of whom were the paper's largest advertisers. Each day newsboys rotated the order in which they received the first papers off the press, operating on what was termed a "frame." The top boy one day moved to the second place the next, and the bottom boy was shifted to the first place the next day. Young Arthur proposed that, since his customers were the largest advertisers, they should receive their papers first and he should accordingly be granted top spot on the frame each day. This achieved, he quickly made further use of the advantage and increased his customers from 75 to 130 on the promise of quicker service.

It wasn't long before he was delivering his entire route in thirty minutes; therefore, having time on his hands, he worked up another route and took his turn on the "frame." This second set of papers he delivered on the way home from the first! On Saturdays he collected for the two routes, taking care that there were few if any overdue accounts.

Customer Riley, et. al.

Though for biographical purposes Hall was educated in the Indianapolis public schools, he himself maintained that,

"Where I really got my education was in collecting from these several hundred customers. I had every type of person you can imagine, from the biggest businessmen to all grades of saloons. My best customer was James Whitcomb Riley, who at the time I delivered my first route, always waited at Jack Christian's saloon with twenty-five cents for my last copy. In collecting I was not long in learning just who would pay promptly and who wouldn't, and I think it was through this experience that I received whatever intuitive understanding of human nature I may have developed."¹

The two routes being managed handily, young Hall solicited enough customers for a third and hired an assistant to look

¹The National Underwriter, Life Insurance Edition,
March 20, 1936, p. 7.

after it. He then had over 300 customers, and when collection day came around a pretty sizable bit of change went into his pocket. His income had risen to \$12 a week, which helped support his mother and sister.

His spare time had been well occupied, too, for he had worked occasionally in job printing offices and as type distributor for the Indianapolis Journal. The experience so acquired enabled him to take the job that was to change his career--and just when the other newsboys had begun to think he was contemplating a monopoly in the carrier field!

You Can't Keep A Good Boy Down

He came home one day and proudly announced that he had a new job and it made no difference that his high school graduation was but a few months away--he had to have that job! His brother, who had been setting type on a mailing list of the Journal, had decided to leave his job and buy a printing shop of his own, and Arthur was to replace him. As jobs go, this one might not seem impressive, but to young Hall it was the open door to greater things ahead.

As each opportunity presented itself, he took quick advantage of his chance to grow in his job. For example, names would come to him of mail subscribers routed by one of his superiors. Hall discovered that the work was not accurately done. Quietly he began to study the matter and without comment routed each subscriber correctly. As can always happen to a prepared man, an opportunity-bearing emergency arose--the man responsible for the routing became ill and there was consternation in the office. A postal clerk was brought in, but even he couldn't handle the situation. To the surprise of the management, however, everything went smoothly as before, and investigation disclosed Hall's dual role in handling the mailing list and the routing as well.

So he was promoted to the counting room where he was first a clerk and later a bookkeeper. During the time he was at the counter, he learned to meet all sorts of people coming on

a large variety of errands. Some merely wanted a copy of the paper; others wanted to rebuke the editor, and still others knew how to run a newspaper better than anyone else and told young Hall just what should be done.

Thus, bit by bit, extra job by extra job, dollar on top of extra dollar, he advanced up the ladder of achievement until after seventeen years he had been circulation manager, advertising manager, then assistant business manager with a larger salary than the editor--\$30 a week.

But the bottom of his busy life dropped out--the paper was sold, and as a result he was jobless. His world had been jolted severely; the foundation on which he had so firmly planted his feet had been swept away. And his troubles were now multiple, for he had been married a few weeks before and had the beginnings of a family to support.

Transition

Then at a time when it was most acceptable, a telegram came from the Chicago Tribune asking him to come for an interview; the result: he joined that paper as circulation manager for northern Indiana. The Tribune had crews of men working routes up and down the Wabash Railroad, which ran through Fort Wayne. Later, Hall was to visit Fort Wayne for the first time on Tribune business.

William Bobbs of Bobbs-Merrill had tried for some time to secure Hall's services with his publishing firm in Indianapolis and finally succeeded. Hall gave the Tribune thirty days' notice, and joined the staff of Bobbs-Merrill to work in the publishing of The Readers Magazine.

Occasionally insurance stories were printed in the magazine, and Hall had the idea these might be used by insurance agents to lend to their prospects. He presented the matter to the state manager of a large eastern life insurance company, and the arrangement was made. The manager was impressed with Hall, inquired about his income from the publishing business, and suggested he consider the selling of life insurance.

The Epoch With The Lincoln National Begins

No life insurance man who had ever solicited Hall had thought to stress the service angle--that of providing a tailor-made life insurance program to fit the individual client's needs. The idea of doing this fascinated him, and he began to sell life insurance in his spare time. Soon he was enjoying his part-time life insurance activities more than his full-time publishing duties, and it was not long before he resigned from Bobbs-Merrill to devote all his attention to the life insurance business. An important factor in this new work was the service he rendered and the satisfaction that resulted to his clients from the tailor-made policies. People liked this approach, and the young man, so eager to help, did well.

In the Spring of 1905, at the close of his first year as a life insurance representative, came the fateful trip to Fort Wayne, when he accepted the job of organizing The Lincoln National Life Insurance Company. He had on his hands, as we have seen, not the management of a going concern, but instead the promotion and sale of company stock, the securing of a charter, the building of a board of directors, and the development of a reality out of what had been only an idea.

The Chivalry Of Power

In his newspaper days he had worked under a business manager who believed in letting his assistant do his own thinking. In later life he followed that example: having found capable junior executives he let them develop on their own.

"My observations during those years," he later said, "coming in contact with every type of person imaginable, convinced me that the only ones who advanced in business were those who reasoned and thought for themselves. If an organization is to grown and be virile, it should have a constant influx

of young men to give it new ideas and better methods of using the old ideas. Given the proper attention and incentives, their enthusiasm and good cheer speed up the thinking of the whole organization. Contact with them tends to keep the older officers from becoming mentally lazy and enables them to keep a fresh viewpoint. Of even greater importance is the fact that young men assure a continuity of management policies."²

Framed on his office wall and the wall of every executive of the Company during Hall's time was one paragraph, the source of his philosophy concerning management of the Company's executives. The quotation, taken from an essay written in the 19th century by Sir Arthur Helps, a prominent Englishman, reads:

The Chivalry of Power

Those men are the grace and strength of councils who are of that healthful nature which is content to take defeat with good humor, and of that practical turn of mind which makes them set heartily to work upon plans and propositions which have been originated in opposition to their judgment; who are not anxious to shift responsibility upon others; and who do not allude to their former objections with triumph, and those objections come to be borne out by the result. In acting with such persons, you are at your ease. You counsel sincerely and boldly, and not with a timorous regard to your own part in the matter.³

Hall was described as a man of "educated intuitions." "He could see right through you."⁴ an employee said of him.

²The Eastern Underwriter, January 19, 1940.

³Ibid.

⁴Monday Morning Message #23, May 6, 1929. This was a bulletin prepared weekly and sent for many years to all agents of the Company.

He recognized men's motives, which are so action-compelling, and looked for their ambitions, reiterating, "When a man is satisfied, he's through."

Instilling Wisdom

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Hall was not above silently teaching a lesson to his young men. At a Company picnic one day, he and an associate decided to test the power of suggestion on the other members of the party. Standing at a set distance from a large tree, Hall tossed a quarter at it, missing by a wide margin. His associate followed suit, also falling wide of the mark. The others, assuming the one coming nearest the tree collected the money, produced quarters and tossed them gleefully at the target. All this time, however, not a word was spoken by either originator of the plot. When at the end of the game, Hall and associate walked over, picked up and calmly divided the coins between themselves, not a peep was heard from the unfortunate victims of the power of suggestion!

Hall served the Company as secretary and manager from June, 1905, to January, 1912. He was then elected first vice president and worked in this capacity for eleven years until January, 1923, at which time he was elected president. He was "chief," as he liked to be called, for the next sixteen years and became chairman of the board in February, 1939. For the Company's first thirty-four years, then, he served as its managing officer, and continued his influence over the organization until his death in November, 1942. In February, 1939, Hall stated, "This Company, so far as any of us know, is the only life insurance company anywhere which has been headed by one man for so long a time and is certainly the only one ever to be headed by one man from the time of its organization until it reached a billion dollars of insurance in force."⁵

⁵The Emancipator, February, 1939, p. 20. Issued since April, 1918, this is a confidential magazine prepared for the Company's agents.

Dame Fortune's Ally

Arthur Hall's great contributions to the Company were, then, first, his knowledge of men and the knack of harnessing their diverse temperaments into a working team; second, his friendliness to new ideas and the courage to experiment. Of himself he said, at the annual meeting of The American Life Convention in 1936,

"I think it was the training of those youthful days, however, that led me to believe I would rather study and understand people than to study and understand things. I don't know much about the things--or, I might say, the technicalities--of the life insurance business. I do, however, thoroughly understand my associates (sometimes when they don't understand themselves), and have been rather fortunate in selecting them and in getting along with them. I think we have more 'naturals' among the key men in our company than in any organization with which I am acquainted. The average age of our thirty-one senior and junior officers is forty-three."⁶

In a statement to stockholders (February 1, 1943), the Company officers had this to say in retrospect: "This quality of managing men manifested itself most strikingly in his willingness to delegate authority and to let leadership emerge by a natural process when men went to stronger men for advice and counsel. This institution is a monument to that type of direction and leadership, and it is the hope of all those interested in the Company that such principles may continue to prevail as a heritage growing out of his leadership."⁷

⁶The National Underwriter, Life Insurance Edition, loc. cit.

⁷A Statement to the Company's Stockholders," February 1, 1943, a Company pamphlet.

Hall as he appeared at that time was described in an article entitled, "Dame Fortune's Surrender to Arthur F. Hall," in the September 3, 1921, issue of the American Insurance Digest:

"Thinking of Mr. Hall personally, one thinks of a trim Vandyke beard, hair that is streaked prematurely with silver, and cigarettes that have about them the aroma of Cairo. Roses are no more becoming to a June bride than that Vandyke to Mr. Hall. As to the gray hair, he wears that with dignity, and the cigarettes, he smokes with frequency.

"Physically, Mr. Hall is as slender as he is broad intellectually. His suave and gracious manner alone is enough to woo the heart out of an arctic iceberg, and with it, he combines a rare understanding of the human heart and mind. His ability along this line, flavored with the diplomacy that marks his every move, makes him an extraordinary salesman."

The Patented Milk Can Top

Being every inch a salesman himself, Hall was always sympathetic to other salesmen. By his willingness to consider new sales ideas, he often maneuvered himself into situations which resulted in financial loss and embarrassment. One of these appears in the story of the patented milk can lid.

A local resident had become interested in a special top for farm milk cans. The idea behind the patent was that this special lid would prevent fermentation of milk by maintaining proper pressure in the can at all times. Merely pressing the patented lid when the container was filled would automatically adjust the can for the correct amount of pressure. Now, the promoter had all the necessary statistics on the many million milk cans in the United States, and he was also armed with a chemist's report on the great effectiveness of this marvelous milk can top. The promoter pointed out to the prospective investors that if they could just supply all the milk can



ARTHUR F. HALL, IN 1921

tops in this country at \$1 each and receive twenty-five cents in profit on each sale, what a fabulous money-maker this invention would be!

As one of his associates⁸ later related to the writer,

"Mr. Hall, together with several other speculators, then invested a considerable sum of money in the stock of the milk can top company. A sample top would lie around Mr. Hall's office in a very conspicuous place, and if you happened to come in and ask what it was, 'Woe unto the curious!' You immediately got a long talk on the great advantages of investing in the milk can proposal. Dr. Thornton and I were particularly hard nuts to crack on the milk can proposition, because we had been around farms and knew that farmers didn't give two straws for one milk can top over another. All they wanted to do was to get their milk to the creamery, and they weren't at all interested in the question of fermentation and preservation of milk."

Apparently, others agreed with the views of McAndless and Thornton, for the project, failing to gain momentum, died on the vine and withered away.

The Social Being

Hall's love for companionship with others was evidenced by his fondness for having guests in his Fort Wayne home, where he was an ideal host. After acquiring a summer home in Leland, Michigan, he established a custom of having a "Mr. Hall's Party" for the "gang" from the Company every other year at this retreat. There he enjoyed the fun and frolic as much as, if not more than, the guests. One of his favorite activities was leading the group in singing "Little Liza Jane." A Company memorial resolution in 1942 shortly after his death added this to a description of the parties:

⁸Stated by A. J. McAndless in an interview with the author at Fort Wayne on August 12, 1953.

"While he wanted all to enjoy themselves at these gatherings and he put everyone at ease as only a good host can do, his primary objective was to weld the men closer together into one harmonious group. Those who were privileged to be his guests will never forget the sound counsels given by him for their personal welfare and that of the Company."⁹

The resolution continued, "He was a gifted and ready speaker without resort to oratory. He presided at all meetings with marked ability and rare consideration. He was a devoted, kind and indulgent husband and father."

As a civic worker, he was utterly unselfish. For many years he gave without hesitation his time, his talents, his money and his strength to every noteworthy civic enterprise. He was the name so often to head the list of supporters, and he delighted in securing financial help for worthy causes from men of means.

C. P. Davis, Hall's barber, recalled in a conversation with the writer,

"If I were asked to name the person who is the most unforgettable person in my life, I would have to name Mr. Hall. He not only wanted to build his company but also wanted the City of Fort Wayne developed for the future. He was always giving his time and money to civic projects, and often he took over the helm of a proposal and saw that widows and orphans were cared for in times of need. He thought civic support a citizen's duty and privilege; to fail in helping worthwhile projects was next to a sin."¹⁰

⁹"A Memorial Resolution Passed by the Company's Board of Directors at a Special Meeting on November 10, 1942," a Company pamphlet.

¹⁰Stated by C. P. Davis in an interview with the author at Fort Wayne on July 28, 1953.

The following pledge¹¹ he caused to be circulated among the office employees at the Company in 1924. Hall wanted them fully aware of their duty and privilege as citizens to vote.

WILL YOU SIGN THIS PLEDGE

AND SEND IT TO

ARTHUR F. HALL, PRESIDENT?

I pledge myself to vote at the coming election, but I can't vote if I don't register. Therefore, I pledge myself to register and to make that registration good with my vote. I will also do what I can to see that members of my family and other friends register and vote.

Signed _____

An Organization Is But The Lengthened Shadow Of Its Leader

At his death on Monday night, November 9, 1942, he was seventy years of age and had been in poor health for six months. The board of directors passed a resolution which ended in this tribute to their former leader:

And so, for a time, we say farewell to Arthur F. Hall, our Chief, as he liked to be called and as we affectionately termed him, the man we knew so well and loved so dearly. Into the boundless sea of eternity he has ventured forth, ready and unafraid. We, his associates, companions and friends, though mute in the face of such a loss, seek solace in words which, though inadequate, serve in some measure to give release and tangibility to our feelings and reflections concerning him.

¹¹Life With The Lincoln, September, 1924, p. 11.

A memorial to him is in truth superfluous, as he in his lifetime, etched with action and deed his own memorial.

Hence, for us it has remained merely to describe the monument which now and for all time will keep his name and spirit poignantly alive. To live in hearts we leave behind is not to die.¹²

¹²The Emancipator, November 1942, p. 173.

CHAPTER 3

FRANKLIN B. MEAD, THE ACTUARY

The growing young company had, in 1911, only eighteen employees;¹ obviously, and for more than one reason, a bigger staff was becoming necessary. Typically, Hall had his own solution to the problem.

In this year the board of directors announced their desire to buy \$50,000 of insurance on the life of Hall, naming the Company as beneficiary. This would reimburse it partially for the loss it would suffer if Hall should die during the formative years. Hall, however, opposed the step.

"Gentlemen," he told the directors, "\$50,000 of life insurance on my life would cost the Company about \$1,800 a year. I propose a better use for that money, a use that will better protect the future of The Lincoln Life. I have in mind a man whom we need. It will take considerably more than \$1,800 a year to get him, but I think we can well afford to add enough to that amount to get this man's brains working for our company. Let us guard against my death and the death of other men charged with management of the Company's affairs by bringing into the organization men of such a caliber that the loss of a single individual will occasion no shock."²

The man Hall wanted was Franklin Mead, who held the position of actuary with the Michigan State Life Insurance Company of Detroit. Earlier the two had met at an insurance gathering in Pittsburgh, and Hall was impressed with the intellectual brilliance of Mead, then a young man in his early thirties. A versatile scholar, the latter had accomplishments as a student

¹Life With The Lincoln, September, 1930, p. 3.

²American Insurance Digest, loc. cit. It should also be noted that as a matter of course the Company eventually insured the lives of both men for a far greater amount.



FRANKLIN B. MEAD

of English Literature, Greek, Latin, and Actuarial Science. He was the Company's first actuary, having served as its actuarial consultant for some time before joining the Fort Wayne staff in November of 1911. The Company then was barely six years old, and Mead was exactly the type of man needed at that stage of The Lincoln's development. Competition was too keen for a company to flourish by doing business in an ordinary manner. And Mead's innovations were far from ordinary. Here is an instance when the right man and the right moment came along at the same time.

Men And Ideas

Mead was generally given credit for starting the Company in the fields of substandard insurance and reinsurance, subjects about which more will appear in later chapters of this history. A dynamic individual and a brilliant thinker, he was fearless, and his aggressiveness accounted for much of the Company's progress during the twenty-two years of his service. This aggressive quality frequently caused hurt feelings, for he let nothing stop him in getting to the heart of a subject. A colleague recalls him as

"One of the most forthright individuals I have ever known. He had the courage of his convictions and would not back down even when it might have been to his advantage to do so. He had a strong sense of justice and in his dealings with personnel would fight just as hard for what he thought was right in the interest of a janitor as he would in the interest of an executive. His secretary tells me that often he would call an employee to his office--take a contrary view just to draw him out, and after the employee had defended his views and left, Mr. Mead would make some remark in praise, as for example, 'Wasn't that fine? Didn't he really get his teeth into that subject?' On the other hand, I have seen him in conference leading a vacillating individual rapidly from one side of the fence to the other. He had an agile mind--would keep you on

your toes when talking to him, and combined with this had a dry and unusual sense of humor."³

As a matter of fact, Hall and Mead made an ideal combination. Hall, with his enthusiasm and diplomatic ability to inspire men to work together, and Mead, with his scholar's knowledge of insurance, a man of many ideas, who had also the ingenuity and self-confidence needed to carry out his theories--each complemented the other's talents exceptionally well. Hall called Mead "The Lincoln Life's 'Production Engineer'," according to an article in The American Insurance Digest, and continued, "He deserves the title because actuarial work with him begins where figures leave off, which is the point at which actuarial work should begin in Mr. Mead's opinion. What's more, he has so much executive ability in addition to actuarial knowledge that it's small wonder that he plays such an important role in all departments of The Lincoln Life."⁴

Learning And The Uses Of Learning

Mead was born in Greenfield, Ohio, in 1875, and received his early education in the Hughes High School of Cincinnati. At nineteen he entered the University of Cincinnati where he studied the classics, English literature, and mathematics from 1894 to 1897. At that time he entered the insurance business and became a brokerage salesman with the Security Trust and Life Insurance Company, which wrote only substandard insurance. Recognizing the possibilities in the field of actuarial science, he resigned after four years and entered the University of Michigan to study more mathematics. While there, his academic and research ability earned him membership in the honorary society, Sigma Xi. He received the degree of Bachelor of Arts Degree in 1906, and that year married Georgianna Waters. Mead was the father of two sons, Franklin B., Jr., and John.

³Personal letter written by D. B. Semans, second vice president and chief underwriter of the Company, to the author on September 20, 1954.

⁴American Insurance Digest, loc. cit.

Later on, internationally known as an insurance expert, Mead made significant contributions to the literature of the business. He was the author of a number of papers dealing with underwriting problems, which were presented at meetings of actuarial and insurance associations. The paper attracting the most general attention at the 1909 meeting of the American Life Convention was Mead's, "The Measure of Risk and Liability under the Total and Permanent Disability Benefits in Life Insurance Policies."⁵ Because little knowledge based on experience was available on the subject, the paper with its accompanying tables and computations was eagerly received. In 1925 he was again contributing, this time with his "Life Insurance Without Examination,"⁶ which traced the origin of examinations for applications for life insurance, the increased use of medical examinations, and the trend back to nonmedical insurance. He had supported for some time the writing of life insurance without physical examination, claiming that savings would result to a company if examination fees and accompanying administrative expenses were eliminated.

Mead always maintained a lively interest in the underwriting field, and two years before his death--long after he had turned over to others his administrative work in underwriting--he wrote an article, "Underwriting--A Major Executive Function," which is regarded as a "classic in the underwriting field."⁷

The Underwriting Conference

In the early twenties the Company stood like a pioneer on the verge of a great new land. The far-reaching, almost untouched, area of substandard⁸ insurance lay before it. A tremendous volume of business appeared to be in the offing, and it was

⁵Buley, R. Carlyle, The American Life Convention, 1953, p. 343.

⁶Ibid., p. 629.

⁷Semans, loc. cit.

⁸Substandard insurance will be treated in Chapter 8.

Franklin Mead's job to ready the Company to handle it, to build and train quickly a staff who could cope with the underwriting. This period marked the advent of the lay underwriter,⁹ and Mead developed what was called the underwriting conference to whip into shape a competent staff. The method was rough but it was effective.

"The discussions were not limited to death claims," a colleague describes the conferences, "but covered all phases of working up cases for underwriting action--for securing and appraising information from examiners and attending physicians--for spotting and appraising cases involving speculative and other hazards and for explaining and putting into effect new underwriting procedures. Mr. Mead was direct in his approach--'Why?' was an ever recurring question. 'All this investigation may satisfy our curiosity, but what difference will it make in the final action?' 'This case was certainly developed tandem-wise.' 'Isn't this delicious?' One of his particular expressions in opening discussion of a case was 'Here is certainly some naive underwriting.' Another in the discussion of a quick death claim was 'This gentleman contributed to our surplus for just one year.' While Mr. Mead usually conducted the conferences, they were not monologues. The persons involved were invited to give their versions. There was no set time for conferences. They might be called when a few death claims had accumulated and warranted discussion, or at a moment's notice when some procedure illustrated in a current case merited study. While these cases necessarily involved individual review, consideration was from the standpoint of the group. There was no criticism of the acceptance of the risk because he died within a year, but there would be criticism if factors were overlooked in classifying the risk in the proper group. Mr. Mead was

⁹A lay underwriter is an employee without professional training in medicine but whose duty at the home office is to act on the approval of life insurance applications. This subject will be treated in more detail in Chapter 8.

one of the strongest protagonists of the group principle and the numerical rating system as opposed to individual selection."¹⁰

Naturally with this clinical approach, wherein the aim was to give the wisdom of experience to the inexperienced, and the goal was scientific truth and not comfort to anyone's ego, toes were trodden on, furs were rubbed the wrong way. But these sessions were colorful indeed, particularly when Mead would confront the underwriters with a case which one of them had accepted at standard rates with the remark, "Well, he died last week."

Founder, Gardener, Patron Of The Arts

In the 1920's Mead conceived the idea of a national organization composed of life insurance officials interested in office management. An insurance historian, R. Carlyle Buley, relates:

"During the summer of 1924 Franklin B. Mead, secretary and actuary of The Lincoln National Life, sent letters to companies in both the United States and Canada in which he suggested organizing an independent 'Association of Life Office Executives.' When he received what he considered a favorable response, he called for a meeting of life officers interested in home office organization at Fort Wayne, September 25 and 26. Secretary Blackburn, (of The American Life Convention) who was not invited to this meeting, wrote to several company officers for their views. His own view was that 'the effort to organize another general life insurance association should be nipped in the bud and absolutely discredited.' He thought that there were already enough life insurance organizations and that another one would weaken both The American Life Convention and The Association of Life Insurance Presidents. On August 21 Blackburn sent a letter to all Convention companies in which he expressed

¹⁰Semans, loc. cit.

the hope that no independent home office association would be attempted until after the annual meeting of the Convention, and asked Mead to postpone this meeting. Taylor agreed with Blackburn that there were too many organizations already; instead of organizing a separate section of the Convention, it might be better merely to devote one day of the program of the annual meeting to the problems of office management. George T. Wight, secretary and manager of The Association of Life Insurance Presidents, also reported confidentially that some of the eastern companies were opposed to forming another organization.

"Mead went ahead with his plans, however, and on the appointed dates 140 representatives of 88 companies organized the Life Office Management Association and elected Mead its first president. Secretary Blackburn accepted the accomplished fact and wished the new organization well. He agreed with Wight that, if there were too many organizations, those which were actually needed would survive while those that were not would not."¹¹

For all his intensive work in insurance and related areas, Mead was a man of many interests. His skill in horticulture gained national fame, and his home in Fort Wayne--Iriscrest--was highly regarded for its fine gardens in which, as the name implies, the specialty was the iris. In addition to holding a directorship in the American Iris Society, he was member of a number of foreign horticultural groups, including the Royal Horticultural Society of England; he was, moreover, a regular contributor to House and Garden, Country Life, and other horticultural magazines, as well as frequent speaker at garden club meetings. Also he was a voracious reader in many fields, including the sciences and arts in all their branches.

A collector and encourager of the arts, Mead was a director of the Hoosier Art Salon, a member of the board of directors of

¹¹Buley, op. cit., pp. 622-623.

the Fort Wayne Art School, taking a prominent part in the arrangement of their exhibits. He himself discriminatingly collected first editions as well as rare Chinese ceramics, paintings, antiques and etchings. He was, moreover, no novice in the field of music, and was an amateur photographer of ability. In 1930 it was said in the Company's home office magazine, "An appreciative visitor in the Mead home would find hours of enjoyment in even the most casual perusal of the veritable museum tucked away in artistic surroundings."¹²

The same issue of that magazine introduced an article on Mead's life in this way:

Have you heard Mr. Mead describe a sunset, the qualities of a lovely flower, an etching, a book, a scene in his travels, or possibly an attractive personality?

Have you seen his beautiful garden at Iriscrest, with its myriad specimens of plants and flowers from this country and abroad, its statuettes, fountains, and terraces? Have you enjoyed the color pictures there, painted with flowers of every hue?

Until then, you do not really know Mr. Mead.

But many of us are fortunate in having an acquaintance with Mr. Mead's other fine self--the genius in business, the creative thinker and doer. Those who know Mr. Mead best marvel at the unusual capabilities of his mind, in so many directions--his complete mastery of everything he undertakes.¹³

With characteristic impulsiveness and vigor, when Mead became interested in the man Lincoln, he mastered a great deal of

¹²Life With The Lincoln, September, 1930, p. 3.

¹³Ibid.

information about him. He even made a contribution himself to Lincoln literature with his article, "Heroic Statues in Bronze of Abraham Lincoln."¹⁴

The Very Human Man

Appreciative, occasionally rueful but affectionate recollections of Frank Mead the human being abound among his colleagues. It must not be supposed that his tastes were all highbrow. Stories about him reveal that he loved the dancing at Company parties--vigorous, gay, not unathletic dancing! And he was well known as one who loved good shows, good jokes and good food.

A contemporary account of him commented, "Mr. Mead's reputation as an actuary would lead the average citizen to imagine him a long whiskered, spectacled student, with a table of logarithms in one hand and an hourglass in the other. But he's nothing of the sort. To be true, he is cautious in speech, as are all actuaries, and his voice never falls below 'fa' nor goes above 'so' in the do-re-me scale; but he laughs when amused and jumps when a pin pricks him just as do the rest of men."¹⁵

Stories of Mead that were always fondly told were those that related to his automobile driving. That this brilliant and original mind could not bring his car to a stop in the basement parking area each morning without smashing into the wall, tickled the risibilities of his colleagues. In this regard one wrote, "I am told that Mr. Mead, as a driver, was one of the worst. His usual posture was sitting erect and on the edge of the seat. This seems to be in character. Along this line, the following is the first paragraph of a letter which he wrote an official of another company in 1926. 'I have just recovered from a couple of broken ribs, results from the steering gear stopping too suddenly my forward impetus, but I am still living and kicking.'

¹⁴See Chapter 10.

¹⁵American Insurance Digest, loc. cit.

This again seems in character. You would always find him 'living and kicking.'¹⁶ Always--as long as the spark of living remained in him.

A Distinguished Career

On Wednesday, November 29, 1933, the Company was saddened at his death in a Fort Wayne hospital. At that time he was fifty-eight and serving as The Lincoln's executive vice president, a post to which he had been promoted in January of 1930. He was a member of the board of directors and of the executive and finance committees. During his years of work for the Company, he had seen it through its early struggles to establish itself, the war and the influenza epidemic immediately following. And he had helped to guide it through the early and anxious years of the depression.

At the time of his death, he was serving the life insurance industry as president of the American Institute of Actuaries in which he had long been a fellow; also as a fellow of the Actuarial Society of America and a member of the Casualty Actuarial Society, the International Congress of Actuaries, the American Statistical Association, and the American Mathematical Society. His death terminated a distinguished career and a broad and valuable influence in the insurance world.

Mead's name in the Company is carried on by his son, Franklin, Jr., who is manager, Commercial Loans & Investment Real Estate, in the mortgage loan department.

¹⁶Semans, loc. cit.



CHAPTER 4

ALVA J. McANDLESS, THE EXECUTIVE

During the early World War I years, an idea gained currency for writing insurance through savings banks under the copyrighted title "Victory Thrift Account." Hall and Mead, in pursuing new methods of selling life insurance, were drawn quickly to the plan, believing it would result in increased sales. They wanted to secure agents in Michigan to write the insurance through the Company, hence went to Detroit in 1919 in search of cooperative agency organizations. There they called on The Detroit Life Insurance Company and the actuary in charge of its underwriting, A. J. McAndless, to discuss possibilities, and the conversation soon turned to The Lincoln's home office and underwriting situation.

The Company had recently lost as a result of an automobile accident its brilliant young medical director, Dr. Bryan A. Barlow. He had been replaced by three medical doctors just out of the Army, young and with no experience in life insurance work. They were attempting to do a job for which they had neither training nor experience. McAndless had noted this, for the Detroit Life had not received good reinsurance service since Barlow's death. In a speech in 1951, at the "Man of the Year" Award Luncheon in Fort Wayne, McAndless related,

"Mr. Mead inquired as to how business was going under the direction of the three new medical directors. I boldly told him that it was pretty awful and that it wasn't like the old days when Dr. Barlow was in charge of affairs. I told him that I could send six cases down to the Lincoln and instead of getting a decision on any of them, I would get six letters back. In fact, these M.D.'s were the world's marathon letter writers. This disturbed him considerably, and he assured me the condition would be cured."¹

¹Speech made before Council 212, United Commercial Travelers, Fort Wayne, by A. J. McAndless. McAndless files.

It was, but only later after McAndless, as a new employee of The Lincoln, was given responsibility for it.

About three months later Mead remembered the young man who had spoken up and again went into McAndless' office in Detroit, this time to invite him to become a part of The Lincoln National. In a few brief minutes McAndless made full plans to come with the Company, whose aggressiveness appealed to him. He became, on December 1, 1919, assistant secretary in the underwriting department.

Capac, Michigan--Learning and Laboring

The ancestors of A. J. McAndless had emigrated from Ireland to go to Canada in 1830. His grandfather, Francis, a graduate of the University of Toronto, had had three sons--all of whom followed careers in medicine. One of these sons, William Edwin, had moved to the United States and become a citizen of Capac, a small town in the thumb district of Michigan. Soon he married, and it was here on October 23, 1890, that Alva John McAndless was born.

After attending elementary school in Capac, A. J. went to high school in nearby Port Huron, thirty miles away, at the foot of Lake Huron and directly across the St. Clair River from Sarnia, Ontario.

Port Huron, sixty miles from Detroit, is a significant river city. A constant stream of ships passes through the St. Clair river voyaging to and from the Great Lakes to Detroit, Cleveland, and Toledo. A. J. and some of his school pals earned their spending money working at odd jobs on these ships in summer months, frequently for long hours into the nights. Another source of income for them was laboring on excursion boats running between Port Huron and Toledo.

During his formative years in high school, McAndless was taught by a Professor Easton, combination teacher and businessman at the Port Huron High School. By day Easton taught high school; by afternoon and night he sold furniture in the several

stores he operated in Michigan cities. The influence he exerted over his young student was lasting, perhaps because he taught him what older residents of Port Huron recall as two of the courses offered by Easton: "mathematics, and business common sense."

Grind and Grind Again

Upon completion of high school, McAndless' ambition was to attend the University of Michigan, but he lacked the necessary money. To raise it he became a teacher in small country schools where his pupils were in the first eight grades. Two years later he had \$1,000, and his goal was in sight.

His wish did not come true yet, however, for the small town bank failed, taking with it his entire savings and his plans to enter the University that year, 1912. The frustration was bitter, but doggedly he started to save another \$1,000 by the same method. For two more long, scrimping years he taught in country schools and finally started his collegiate work in 1914, at the age of twenty-three.

The Law Is Out

It was his plan to be a lawyer, studying liberal arts and mathematics for two years before entering law school. While studying mathematics, his pronounced ability came to the attention of Professor Walter Ford of the University of Michigan faculty. Ford asked him if he knew of the actuarial course at the University. At that particular moment McAndless did not even know the meaning of the word "actuarial," but he followed Ford's suggestion that he talk with the professor in charge of actuarial science, James W. Glover, who later became famous as the outstanding actuarial educator in American colleges.

Glover opened the interview with McAndless by saying, "Ford says you like mathematics very much but that you intend to make law your career. Why don't you also take my course? I haven't many students, and if you are as good as Ford says you are, you can become my assistant."² McAndless accepted and later scrapped

²The Eastern Underwriter, September 7, 1951, p. 3.

his plans to enter law school.

Under Glover's watchful eye, McAndless finished the four-year course in about three years and was elected to Phi Beta Kappa in 1917. He decided not to accept an offer to become a member of the faculty at Ann Arbor, but began work in the June after graduation for the Grange Life Insurance Company, to which he had been recommended by Professor Glover. After a year, McAndless became an actuary for The Detroit Life Insurance Company. The time was 1919, and McAndless was then twenty-nine.

In Detroit that year he met Hall and Mead, who persuaded him to join The Lincoln National and work in its underwriting department. Almost immediately this job brought him into a new life; he was soon traveling widely and making friends in every state and in almost every company in the country. While in the underwriting department he met Maurine Gordon, who became his wife in January, 1923.³

One of McAndless' first tasks was to expedite the issuance of new policies, for The Lincoln wanted to improve its service to its reinsurance clients. He was also concerned with developing further the writing of substandard life insurance, and before long his interests took him into the reinsurance, agency, and investment departments. He began his steady climb up the ladder of responsibility.

Although he later succeeded Hall as president, he was not brought into the Company with this end in view. He came in as a promising young employee to join in building a strong, aggressive organization.

Steps To The Presidency

When Hall relinquished the presidency in 1939 to McAndless and became chairman of the board, he announced:

³Life With The Lincoln, January, 1923, p. 3.

"In bringing about this change in titles, I am substituting a younger man as the 'quarterback' and I shall be the 'coach.' I know that he heartily favors conducting the business in the future with such a relationship existing. I commend our new president to you. He is forty-seven years old and has been with the Company for nineteen years. He is thoroughly seasoned for the task and knows the business of life insurance as well as anyone I know in the business. I am most pleased that he is my selection and that his choice meets with the approval of the board of directors, the field force, and his associates in the Company."⁴

McAndless had risen by quick steps. He was made secretary in 1926, vice president in 1930, and was promoted to first vice president and elected to the board of directors in 1934; he was named executive vice president in 1936.

Physically McAndless was built like a baseball pitcher--tall, muscular, and with a large frame. He had a quick sense of humor, a democratic manner, and when thinking, his tongue was in his cheek. No photograph ever successfully recorded the twinkle in his eye when he was amused. Although his was a cautious and conservative character, few men could more quickly catch the point of a situation and make a decision faster.

Integrity Indeed

Perhaps his most noteworthy characteristic was his great integrity. His sense of fairness commanded the respect of all who knew him. An example is the manner in which he handled the declaration of stock dividends.

A corporate executive can let it be known to his close friends that at the next meeting of the board of directors he is planning to suggest the declaration of a stock dividend. This could enable those with prior knowledge to profit unfairly by buying a large amount of stock before the dividend

⁴The Emancipator, February, 1939, p. 20.



ALVA J. McANDLESS

was declared. Although such privileged persons do not necessarily profit from such a maneuver, usually they do, especially if the company is successful and growing. McAndless, however, saw to it that all directors knew of the suggested dividend declaration simultaneously. They knew it, for the decision was always made by the directors themselves at the board meeting in the presence of all. Only in this way could all officers of the Company reply with unquestionable sincerity that they "did not know" when asked by outsiders about the next stock dividend.

His Life Was The Lincoln Life

Mac ruled with an iron hand. With his shrewdness and keen mind he kept a firm grip on all the Company's activities. When a lesser man might have been freer with the Company's millions, Mac demanded full value for every dollar spent. He constantly saw the need for trimming down and reducing expenses where possible. Relentless was the word for him, for he never relaxed from watching details in the Company's operations--making his rounds at unexpected times to investigate the current method of wrapping packages or posting letters, looking over the shoulder of some worker and asking, "What are you doing?" "How's it coming?" or "What does it show?" Through this little habit and with his "photographic" memory, he kept abreast of a wide range of Company operations and maintained contact with many employees, perhaps giving them a new insight into their roles in the general scheme of things. Mentally active and physically restless, McAndless was constantly on the move, yet he could use infinite patience when awaiting developments in a life insurance problem under his review. He was like the strong-willed skipper who stands at the helm in the midst of an ocean storm, clothed in foul weather gear and staring into the darkness with determination to bring his ship and crew safely into port.

The life of an executive is a lonely one. He is charged with the responsibility of coordinating as effectively as possible the varying abilities of his staff, and he can never be quite convinced of their true friendship, loyalty, and support. Friendship can be put on, loyalty pretended. And some give of their best only when important people are watching.

Yet through all these seemings the executive must penetrate to the truth and learn to trust those people who are right for his needs.

McAndless had a remarkable ability for seeing through the men with whom he worked. He possessed keen insight into the basic motives behind each, and he recognized those who had a sincere attachment to him and those who did not. Moreover, to aid him in human relations, he had a naturally gregarious nature which put him on a first-name basis with 1,200 of the agents and hundreds of the 1,725 employees, 1,275 of whom were in Fort Wayne alone. He once said, "We have a grand crew around here, and our personnel and agents are very much on their toes."⁵ At a meeting of the Company's Loyal Service Club in 1949, he amazed the club members, many from remote parts of the country, by knowing each of them by name and the role they had played in the Company for the past twenty-five or more years.⁶

But visitors to his office were frequently cut short if the conversation turned to idle chatter, for McAndless was a man of business. He literally lived and breathed the life insurance business and the Company. They absorbed his whole life.

Typical were his off-hour diversions in San Francisco several years before his death in 1954. He and A. J. Hettinger, Jr., a New York specialist in finance (later, in 1955, a member of the Company's Board of Directors and finance committee), spent an entire month on the West Coast advising a company on financial matters. The two men shared a hotel room to which they would retire after dinner in the evenings. There McAndless would read either the latest figures and details of The Lincoln's business, or the London Economist. On only one night during the entire month did he veer from this schedule, according to Hettinger. That night he attended

⁵Investor's Reader, September 7, 1953, p. 16.

⁶The Underwriters Review, July, 1950.

an amateur theatrical play.⁷

Foresight--The Man For Tomorrow

His perception enabled him to predict the future with surprising accuracy. In a speech before The American Life Convention in October, 1942, he offered his opinion of the period following the war.

"There will be no more luxurious and extravagant living by the wealthy for there will be fewer wealthy people. Skilled workers will be the chief benefactors of the war through an advance in their wages, which will be permanent. Taxes will be heavy and interest rates low. In this country federal and state development of poorer areas and renewed flow of capital into backward countries abroad will be featured, and there will be more 'planning' in our economy. There will also be a considerable 'levelling off' in individual incomes."⁸

He thought it likely also that a large proportion of capital expenditures for housing and development of transportation and utility systems would be made with the support of public credit. In 1950 the three most important tasks facing the insurance industry, according to McAndless, were (1) improving the service offered to the public, (2) reducing insurance costs, and (3) using financial resources for the greatest economic benefit of the American people.⁹

Contributions

McAndless, like Mead, held numerous important posts in the life insurance industry. He was president of The American

⁷Stated by A. J. Hettinger in an interview with the author at Fort Wayne on January 28, 1954.

⁸Wall Street Journal, October 10, 1942.

⁹The Underwriters Review, loc. cit.

Life Convention in 1942 and was active on joint committees of that organization and the Life Insurance Association of America in later years. President of the American Institute of Actuaries in 1943, he was also a fellow of the Society of Actuaries. He served as a director of the Life Insurance Association of America, Fort Wayne National Bank, and the Magnavox Company, a major producer of television and radio receivers. He was a member of the Actuarial Advisory Committee to the Veterans Administration Bureau in Washington, D. C., served as a trustee of the University of Michigan Alumni Fund, and was past president of the University of Michigan Club in Fort Wayne. With others he conceived the idea and sponsored the work of establishing in memory of his early teacher the James W. Glover scholarship at the University of Michigan for actuarial students there.

As leader of The American Life Convention, his accomplishments were notable. A new formula for federal income taxation of life insurance companies, known as the McAndless Plan, was incorporated in the Revenue Act of 1942. The original Treasury plan was thereby modified, because it would have placed a disproportionate burden on a number of smaller companies having higher interest earnings from their assets but yet a smaller proportion of non-taxable bonds than had the larger companies.

The proposal of the McAndless Plan and its subsequent acceptance by the Bureau of Internal Revenue constituted an achievement, for some of the companies agreeing to it would have paid much lower taxes under the existing Treasury plan. In general, however, the companies approved the formula because it resulted in less discrimination than the other plans offered, and it afforded a practical solution to a serious issue involving differences of opinion and diversity of interests.

The Executive Committee of The American Life Convention, meeting October 4, 1943, particularly honored McAndless' work with the Revenue Act of the previous year. "His distinct contribution, which more than anything else aided in unifying the business in troublesome times such as now confront the country, constituted a most invaluable service to both The

American Life Convention and all other segments of the industry, and is but further tangible evidence of his profound wisdom and judgment."¹⁰

His intensive concern for and extensive service to the welfare of the city of Fort Wayne were noteworthy. He was president of the Fort Wayne Chapter of the American Red Cross from 1939 to 1946, member and former vice president of the Fort Wayne Chamber of Commerce, Director of the Allen County Cancer Society, president of the Fort Wayne Country Club from 1938 to 1946, and a member of the Fort Wayne Quest Club. He held membership in various masonic orders. One of his most serious interests was in the welfare of underprivileged boys and the activities of the Glenwood Manual Training School for Boys in Chicago and the Boys' Athletic League in New York.

One of his distinct contributions to the Company was the part he played in the purchase of The Reliance Life Insurance Company in 1951. The Reliance was almost the same age as The Lincoln and had \$1 billion of life insurance in force, in comparison with The Lincoln's approximate \$4 billion at that time. The largest life insurance transaction ever to occur, the purchase price was \$27,500,000, and McAndless was The Lincoln's chief trader. Details of the purchase will appear in Chapter 7.

A Scholar In Business

McAndless' hobbies were golf and reading, and of the latter he did much. In response to a questionnaire as to the magazines to which he regularly subscribed, he listed the following business publications: Barron's Business Week, Harvard Business Review, Wall Street Journal, Nation's Business, Newsweek, Time, Journal of Commerce, Economist (London), Insurance Field, National Underwriter, Eastern Underwriter, Monitor (London). The order in which he considered they assisted him in decisions on business policy was: Harvard Business Review, Wall Street Journal, and Newsweek. For personal reading, he

¹⁰Buley, op. cit., p. 905.

subscribed to the New Yorker, Saturday Evening Post, Saturday Review of Literature, Atlantic Monthly, London Calling, Journal of History of Ideas, American Economic Quarterly, and the Atomic Energy Report. Being a quick reader, he was able to cover this wide range and felt the stimulation of the thinking in such magazines. The British publications, he felt, often gave him fresh viewpoints for use in speeches.

A Message To The Field

Although he seldom made a formal speech at agency conventions, McAndless' addresses were punctuated with references to friends and to incidents from which he drew inspiration. He used a similar technique in his messages to the field force through the medium of the Company's monthly magazine, The Emancipator. One of the last reports he wrote before his death was the following, which appeared in the November, 1953, issue:

The Football Contest

"This Cross Month Contest¹¹, with its football trappings, makes me think with longing of wonderful times in the past. It takes me back to college days, with all their display of colorful bands and trooping students. It brings before one's eyes a bright pattern of youth and energy and courage. But it arouses also memories and thoughts of people who are near you now and things that happen now.

"So I think of Cookie and his football days as I think about you and this particular contest. Not all of you men and women in the field know Cookie, but he is a little guy--and I mean physically--who is in the Home Office agency here in Fort Wayne. Cookie played football in Nebraska a long, long time ago when the rules and penalties were not quite so strict as they are today. Sometimes I have had Cookie talk to a group

¹¹Conducted in honor of Cecil F. Cross, vice president and manager of agencies.

of agents, and it is his habit always on such occasions to drag in some football ghost out of the glorious past.

"One of his best stories was used last year before a group of new agents who were in here for training. I think he told it in somewhat this fashion: The coach between halves of a clean, hard-fought contest told the boys to remember that the fellow in front of them was just as dog tired as they were and had been knocked down just as often, and perhaps if they just had the courage and spirit to put one more try into the contest they would start a scoring play. Cookie, of course, was trying to illustrate just how rough and bruising sometimes a sales interview can be. I thought it was an appropriate story for that group. But the thing I got out of it and what many of you in the field may get out of the football allegory is this. It is organization and organized sales procedure that pay off in the end.

"The Cross Month Contest is going well. Try just one more scoring play."

(signed) A. J. McAndless

At a dinner in observance of McAndless' 30th anniversary with the Company, Cecil F. Cross, vice president and manager of agencies, presented "Mr. Mac" with two books of letters sent in by his friends in recognition of the occasion. Cross said, "Here you will have a lasting record of the love and affection these friends hold for you, and which I have been attempting to express on behalf of all of us gathered here this evening. We hope it will bring you many happy hours."¹²

Life came to a close for Alva McAndless as he was playing golf with Company agents in New Orleans, where he had gone to attend an agency convention. Stricken with a heart attack at 4 p.m. on January 25, 1954, he died in the Baptist Hospital

¹²Speech by C. F. Cross, December 1, 1949.

four hours later.

In an editorial on January 27, 1954, the Journal-Gazette, Fort Wayne newspaper, eulogized him:

"At the university he had been elected to Phi Beta Kappa, and he carried the habits of a scholar into business. He was widely informed not only on business but on national and world affairs.

"His conversation was marked by quotations from foreign as well as American publications. When he spoke in public, it was to throw new light on the subject under discussion, and his views were always heard with interest.

"Although he carried an exceptionally heavy burden of responsibility, Mr. McAndless was deeply conscious of a man's obligation to his community. He served many good causes and often from the background. His endorsement and his aid were of great importance to any movement.

"Mr. McAndless was a man of strong character. He was pleasant and modest in his relations with other people. His seriousness was balanced by a sense of humor. He was a good conversationalist, a loyal friend, and a leader of men."¹³

And the New-Sentinel, another Fort Wayne newspaper, sadly reminisced in an editorial on January 26, 1954:

"Alva McAndless was bounteously endowed with many fine virtues that invested him with much personal charm. He was possessed of an element of modesty and unselfishness that won him many friends. Indeed his genial unassuming manner presented him with a remarkable capacity for friendliness.

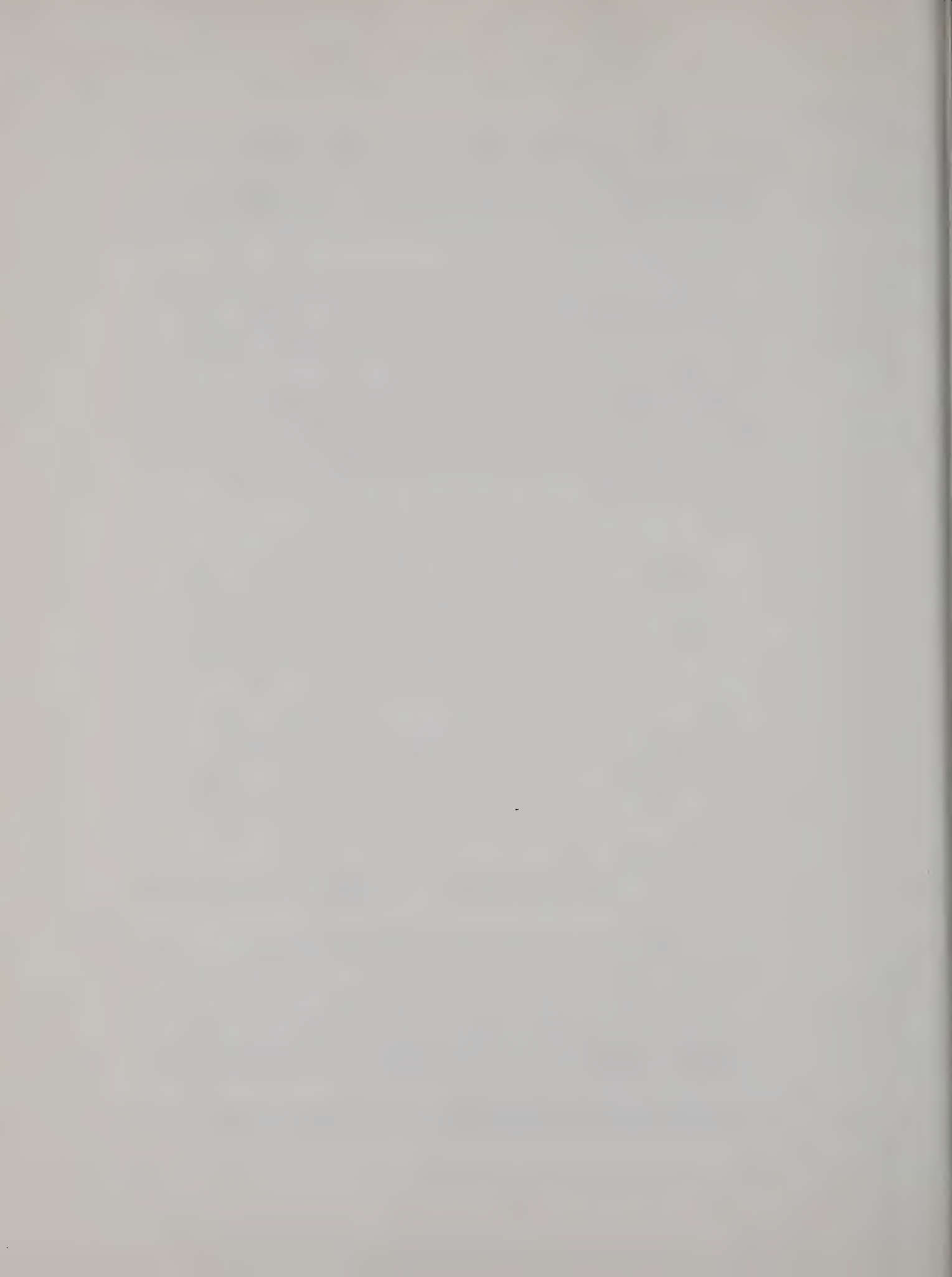
¹³Journal-Gazette, January 27, 1954.

"His remarkable ability in business and his zeal in civic endeavors were always characterized with quiet, smooth functioning efficiency. He applied his usual talents without fanfare, but with remarkable proficiency."¹⁴

In his last speech before the agency convention in New Orleans, McAndless said, "So our management objectives are first, to build for you a great company--a company great in every way; second, to build a company which, even though it is large has not lost its human touch; and third, to build a company that is a good citizen in the community--community being used in a very broad sense."¹⁵ In his role as a leader and builder of that Company, McAndless played his part exceptionally well.

¹⁴News-Sentinel, January 26, 1954.

¹⁵The Emancipator, February, 1954, p. 27.



CHAPTER 5

THE STRUCTURE OF THE FIRM--ITS MANAGEMENT, PERSONNEL, AND PRODUCT

Management

In the early years of establishing itself the Company gave little if any thought to the future. The firm was cautious enough to adopt actuarially correct premium rates and followed the usual well-established business principles. Its plans and methods were no different from those of the many other companies organized during that period. However, when the Company was several years old its officers began to realize this fact, and with self-awareness came a profounder concept of the future and its possibilities.

Previously the Company had devoted its primary attention to recruiting men to sell insurance, its secondary efforts to setting up the machinery in the home office to process the business once it was placed on the books. In following such a policy, the Company was in competition with all other life insurance firms for salesmen to sell similar policies and plans, the highest bidder securing the most men. But The Lincoln decided to reverse the process.

The men who constituted the Company's "brain" came to the decision that they could attract more and better salesmen if they provided more and better service than other companies. One result of such thinking was that the Company was one of the first to develop scientific underwriting of substandard risks--those applicants who could not ordinarily secure life insurance because of physical impairments. Another result was that the Company was one of the first life insurance firms to develop a personnel and planning department, which not only lowered office costs but greatly reduced the time required to issue a policy. In short, instead of competing by offering higher commissions, the Company tried to furnish its agents with more comprehensive and efficient tools with which to work. Perhaps the Company's present position is due in large part to its succeeding in these efforts.

"Men in the field cannot get the most out of their efforts unless they have 100 per cent cooperation from headquarters," Hall stated at one time. "That's the goal toward which we are driving. In an organization that is trying to give that kind of service, one clerk too many is a great deal better than half a clerk too few. I like to see the slate wiped clean at every sundown."¹ The "slate" was wiped clean for many years, for at one time every letter arriving at the Fort Wayne offices was answered before the dawn of another day, and 68 per cent of all policies were issued and mailed back to the agent within twenty-four hours after the application was received.²

Authority And Responsibility

In building up a strong and self-perpetuating core of management, Hall felt strongly about the duty of the Company's executives to train junior officers. In a speech before the Company's 30th anniversary homecoming of agents, he said,

"Men who are afraid to train those below them have no confidence in themselves. They are not executives; they are merely job-holders and do not properly belong in a growing organization. A man who cannot see the forest for the trees is so immersed in detail that he has no perspective. He is so busy with details that he has no time to think and to create. Men interested in a career, rather than a job, are the best builders.

"Authority is a dangerous thing to give and a dangerous thing to receive; thus it must be handled with great caution. It ruins some men and develops others. Authority can only be successfully handled by men who have a strong sense of responsibility to themselves as well as to others and to the business; by men who think for themselves and who can make decisions and act promptly on them; by men who are fair in their judgments of others and do not play favorites; by

¹American Insurance Digest, February 5, 1921.

²Ibid.

men who can seek counsel as well as give it; by men who have a clear vision of the ends to be attained; and preferably by men who have a sense of things as well as the saving grace of a sense of humor. Such men handle authority well and can in turn delegate responsibilities successfully.

"Only by such methods can a growing organization be successfully developed. Nothing is more discouraging to a junior officer than to have superior authority vested in one who is superior to him in title only. Promotions should not be made by the rule of seniority. Titles should not carry salaries."³

Also, it was essential, Hall knew, that every man should get full recognition for his ideas. He claimed that a man who received credit for innovations was ready to create.

Hall was especially anxious that every executive, whether senior or junior, should feel free to present a new thought, or challenge openly (and constructively) a suggestion proposed by a superior. The Lincoln's executives actively solicit the opinions of the men under them, and it matters not whether the ideas come from the head of the business or a junior employee--they get the same honest treatment and discussion. "You'll never," Hall asserted, "get anything worth while out of a discussion between a junior officer and a superior who demands deference to his ideas simply because he's the boss."⁴ And flexibility was the rule, for the Company has not hesitated to put a young man in charge of older men if he could deliver the goods and his judgment commanded the respect of his associates. Hall once said, "There are at least twelve men in this Company who expect some day to be its president."⁵ Probably Hall was proudest of that--proud and happy that his men had confidence in their own ideas

³Hall files.

⁴Forbes, March 1, 1940.

⁵Ibid., March 15, 1935, p. 14.

and their own ability to develop into better executives.

The Conference Plan

In 1914 the conference plan of management was devised and adopted, a development which though not spectacular was far-reaching in its eventual effect on the Company's growth. Department heads met periodically to discuss important problems in the Company's affairs, and no subject was dismissed until a majority opinion had been reached. After the conference, the subject was referred to the department head under whose jurisdiction it fell. Details were left to him, and he neither shared the credit nor shifted the blame for the success or failure of the project. Use of the plan enabled each department head to know what other departments were attempting to accomplish. Thus, each officer received a deeper responsibility based on a wider understanding of the business as a whole.

"We Just Turned Him Loose"

The progress of A. J. McAndless to the presidency illustrates the results of The Lincoln's policy toward promising men. He joined the Company in 1919, as we have seen, principally because the Company saw important possibilities in building its reinsurance business and because Hall, then president, was convinced that McAndless was the man to build it. There were no detailed outlines of what to do and how to do it, but Hall knew McAndless had ideas. "So we just turned him loose to make as big a job for himself as he could."⁶

A case in point was the purchase many years ago of a company in Dallas, a deal involving the expenditure of well over \$100,000 of the Company's money. McAndless, then head of the reinsurance department, had telephoned Hall and wanted to fly back to Fort Wayne to discuss the matter with him. "You have worked up the deal, Mac," said Hall, "it's your idea and your responsibility. You're familiar with the details and know better than anyone else whether it will be

⁶Hall files.

good for us. So take it, or forget it."⁷ And the negotiations were concluded without the trip to the home office.

Another of the early decisions McAndless had to make reaffirmed the correctness of Hall's telling him to go to work with no strings attached. While most of the senior officers were away from Fort Wayne at one time, a large reinsurance claim was received and promptly honored by McAndless without a flicker of hesitation. When the others returned, somewhat surprised that he had acted so fast in sending The Lincoln's check for several thousand dollars, he replied in about twenty words just why he had allowed the claim. "When he got through," Hall stated flatly, "we knew that we would have been just as fast if we had known as much about the subject as he did."⁸

This freedom gave McAndless a chance to develop himself and soak up knowledge about other phases of the business. He soon absorbed himself in details of sales, management, and the technique of guiding and inspiring people. It is doubtful that McAndless, or anyone else, could have developed so quickly into the well-rounded company chief if he had been pinned down too closely by precedents and rules and regulations. In 1955 the same policy is largely employed by the Company's management.

With all the emphasis on building an organization of capable men, Hall was not intent on publicizing the quality of the Company's executives to its competitors--probably because to do so would point out key men for other companies to lure away, as has sometimes happened anyway. None of the Company's money has been spent on advertising the names of its officers but rather on reinforcing the good name of The Lincoln.

Nothing begets success like success, and when a number of outstanding men are working together, it is comparatively easy to persuade other exceptional men to join them. Thus, the standard of quality is maintained and perhaps even elevated.

⁷Forbes, loc. cit., p. 14.

⁸Ibid., March 1, 1940.



SEATED: ARTHUR F. HALL
STANDING LEFT TO RIGHT: R. F. BAIRD, DR. W. E. THORNTON, A. L. DERN,
A. J. McANDLESS, L. J. KALMBACH, C. F. CROSS
(MAY, 1942)

We Are Common Men

Under the leadership of McAndless, The Lincoln continued a management policy similar to that employed when Hall was president. In a speech at the Company's agency convention in July, 1952, McAndless summed up his views in three categories:

"The first principle we follow in conducting our affairs is this. We try to build strong human relationships with our agents. We want to know the man in the field, and we want the man in the field to know us. We want to understand his problems.

The second thing we try to do may be described as the organization principle. It is not our aim to build a life insurance company around a personality. If you build an institution around an organization and weave into it principles of management, then you know what kind of an institution it will be tomorrow and what kind of policies it will follow. In addition, we try to back up key men with subordinates who know and understand the principles and policies which will be followed today and again tomorrow.

"The third operating principle we follow is this. We are a risk-taking enterprise and try to expand our facilities for serving the public. As a risk-taking business, we should be venturesome and bold in some respects and undertake new things to expand our market. I do not mean by this that we are going to jeopardize or imperil the solvency of the institution, but we are going to step out from time to time and prudently and intelligently attempt something which is untried. I am not talking about individual risks I am talking about such things as we have done recently--entering the accident and sickness field and undertaking the writing of noncancellable disability risks. Reviewing the past, I am thinking about our original entry into the field of substandard insurance. These are things which have set us apart as a bold and venturesome institution which

is aggressively attempting to build a life insurance company.

"We stick pretty much to fundamentals in managing the affairs of The Lincoln. We are just common men, and I use 'common' in the sense that it is used in referring to the Book of Common Prayer. We don't try to surround the business of life insurance with a lot of mystery and magic. To us it is a rather simple business and can be run successfully if we keep in mind the fundamental principles. I look upon The Lincoln as an enterprise of which old men dreamed, and which young men had the vision to bring to realization. It is that sort of an institution--an organization with a vigorous determination to build."⁹

Personnel

For many of the Company's early years the number of workers was small, and a certain "family" atmosphere prevailed. Employees were well acquainted with each other,¹⁰ and there was great interest in Company-sponsored gatherings. Perhaps much of this attitude was due to the use of two rules of conduct, laid down hard and fast by officers of The Lincoln in 1912. Firstly, there was to be no destructive criticism, a person being required to suggest a better procedure before attempting to correct others. Secondly, there was to be no gossip among the officers, "for gossip is a fearsome and loathsome thing. It is seldom less than the assassination of good character."¹¹

⁹McAndless files.

¹⁰Yet Hall discouraged intimate social relations among the families of the chief executive officers of the Company. He had observed that the wreck of many a fine business was caused directly by the jealousies of family members of officials.

¹¹From a speech Hall delivered at the Spring party of The Lincoln Life Social and Athletic Association, preserved in the Hall files.

Inevitably most of this homely atmosphere disappeared, however, by the growth of the Company staff to approximately 1,300 workers in 1954, few of whom were well acquainted with persons outside their own departments. But some of the Company's earliest employees, now retired, still speak of The Lincoln as "we" when talking of the old days.

Requirements for employment as of 1955 are not radically different from those of 1931. At that time, the school record of the applicant was considered as a first step. Little importance was attached to recommendations received from former employers, for such reports were likely to be influenced by personal friendship or personal enmity--conditions over which the applicant had little control. But physical condition and appearance were important. The final requisite preceding the actual employing of an applicant was his ability to pass the physical examination given by the Company's medical director. The physical examination is still currently required for two reasons: to employ only healthy workers and to include in the Company's self-insured group insurance plan only good risks. Nevertheless, the basic question asked at the time of the examination is not, "Is the individual insurable?" but rather, "Will he make a good employee?"

In the past, more minute requirements were made of workers while at the office than was the case in 1955. Examples: formerly they were told to turn off electric lights in rooms not being used and to refrain from placing photographs and other items under glass desk tops (because of the distraction during office hours)--requisites which long ago became "requests," or were discarded outright. With regard to marriage, the first office manual stated that the Company had established a general policy to the effect that women employees anticipating marriage were expected to tender their resignations prior to the wedding. In the depression of the early 1930's, when jobs were scarce, earnestly sought and carefully parcelled out, the Company thought it unfair to allow a married woman to retain employment which could be made available to a self-supporting single woman. But in 1955 the Company willingly employed women regardless of their marital status.

Efficiency is still regarded as it was when Hall spoke at a Company banquet in 1921:

"No one of you does unimportant work. If a messenger delivers papers to the wrong desk, delays occur which cause injury to the entire organization; if a policy clerk writes \$25,000 into a policy that should have read \$2,500, a more serious error has occurred than merely adding a cipher where it didn't belong. It is important that each of us do our small part carefully and well, for what may seem an inconsequential error may cost thousands of dollars."¹²

The recreational facilities and activities of the employees have changed considerably in the past few decades. In May, 1920, when the office force totalled 202 people, two daily periods of calisthenics were held for women and conducted under the direction of L. A. Schwan of the YMCA. The Company-sponsored bowling team won the Indiana State Championship and went on to reach the top place in the Inter-state Tournament at Kenosha, Wisconsin. In March of the following year, 1921, the LNL Whizzers--the girls' basketball team--won the City Championship, 48 to 6. For about ten years from 1916, the Company sponsored a bowling team and a semi-professional baseball team.

By 1925 The Lincoln Life Social and Athletic Association was formed to provide recreational facilities for the employees and was supported financially by the Company. Among the services furnished were recreation rooms for use during lunch and rest periods. They were equipped with a large stage complete with curtains and scenery for amateur theatricals. Bowling leagues were organized and held their contests in the basement where six bowling alleys were kept for use of both employees and the public. Tennis courts were provided in the rear of the building, and golfers could use a complete driving net and nine-hole putting course on the fourth floor. Before the Association had existed for many years, however, it was liquidated--seemingly

¹²Life With The Lincoln, December, 1921.

because there was lack of employee interest in Company-sponsored recreation. The cause may have been that family social habits were changing with the greater accessibility of radios and automobiles.

The Lincoln Investors, Incorporated, was formed in 1931 by a group of Home Office employees who were very interested in acquiring a holding of stock in their employer corporation but lacked the financial means whereby they could buy stock without resorting to bank borrowing. The organization was so devised that by unit monthly payments over a three-year period Lincoln Life stock was regularly acquired over that period of time and, at the end thereof, was distributed pro rata to the shareholders in The Lincoln Investors. The operation has been very successful in that the employees and agents have, by this convenient means, been enabled to acquire a holding of Lincoln Life stock without the usual burdens of commissions and interest on indebtedness. Because of the wide ownership of stock in the Lincoln National Life, these employees and agents feel a greater sense of loyalty toward the Company and have displayed a great deal of interest in the economical operation of it.¹³

¹³The following was taken from Life With The Lincoln, April, 1931, p. 5. "The formation of the plan itself is an interesting item. Over two months ago, several individuals discussing the stock market, commented on the fact that the market price of Lincoln Life stock was very favorable to purchasers and presented an excellent investment opportunity. Lament was expressed that high interest rates and unfavorable borrowing terms prevented the individual from taking advantage of such a splendid opportunity. Knowing it was possible for a group to borrow money under terms not available to an individual, an immediate proposal was made that the group pool its assets and borrow sufficient money to purchase a few shares of stock. A logical suggestion such as this was bound to appeal to others, and in a few days the group was augmented until it reached about ten in number. So many applications for entrance were received that it became necessary to discard all original plans and work out some new method of organization which might permit a large group of individuals to act as a unit. The result was the Lincoln Investment Trust." The name was changed a few weeks later to The Lincoln Investors, Incorporated.

In 1942 the LNL Credit Union was organized to provide credit facilities and offer a regular savings plan for employees, and the plan is still in effect as of 1955. Employees who are Credit Union members can borrow money for numerous purposes: doctor bills, home repairs, refinancing previous loans, coal purchases, tax payments, vacations, automobile purchases, and retiring charge accounts. Interest charges are made on the loans, such income to the Credit Union being divided periodically among its members.

Working conditions now include a $37\frac{1}{2}$ hour five-day week; a cafeteria where meals are served at cost; a two- to five-week annual vacation dependent upon length of service; group life and health insurance, the expenses of which are borne by the Company; medical advice and nursing service; and retirement benefits accrue for employees as soon as they attain age thirty and acquire one year of service.

Faced with a space problem at the close of World War II, the Company decided to use its building's facilities at night as well as during the day. Accordingly, in January, 1947, a group of employees reported for night work as the day shift was leaving. Use of the night shift expedited service considerably, and the Company derived two principal advantages in using this arrangement: work preparatory to the next day's activities could be done after hours, (opening mail, filing records and correspondence), and the Company had access to a greater labor market. Although the night shift employs perhaps only 15% of the number of day workers, its use has been worthwhile and is being continued.

Democracy At Work

It is safe to say that democracy prevails at The Lincoln. All employees and officers, regardless of rank, lunch in the same large dining room and are served the same food, no preference being shown executives in the way of separate facilities. A small dining room is maintained, however, for the entertaining of prominent visitors or luncheon meetings of Company committees. Virtually all officers answer their own

telephones, the Company believing this to be more efficient. There are no assigned parking places for automobiles of officers in the Company's parking lots, spaces being claimed in the mornings on a "first come, first served" basis. If an executive is late and the choicest spots nearer the building are occupied, he is forced to go to the "executive lot," a short walking distance away, a bit of democracy which for some reason is rather amusing to the employees.

Product

The life insurance business, though complicated and technical, is frequently regarded as consisting simply of creating new insurance and investing the funds arising therefrom. It is true that the problems peculiar to a commercial or manufacturing enterprise--purchase of raw materials, manufacturing operations, and maintenance of inventory--are not found in similar form here. It is also true that the intangible inventory of a life insurance company is represented by the policies it designs to meet the differing needs of its customers.

The Lincoln sold both participating and nonparticipating contracts from its beginning until 1921, when it switched to nonparticipating contracts exclusively. It continued on that basis until 1931, since which time both contracts have been offered simultaneously, the participating policies being issued on those plans most generally sold: whole life, twenty payment life, and endowment at age sixty-five. The agent's commission on such participation business was not as great as on the nonparticipating basis, but the contracts were available in the event competitive situations required their use.

"The first rate book covered only 9 basic plans of insurance: The ordinary life, 3 limited payment plans, 3 endowments, and 2 term plans. The entire rate book consisted of ninety-three pages."¹⁴

¹⁴From a speech by A. L. Dern, vice president and director of agencies, reproduced in The Emancipator, February, 1940, page 22.

The 23-Year Endowment

In April, 1918, the first issue of the Company's confidential magazine for its agents, The Emancipator, described a new policy brought out that year which can still be found in The Lincoln's rate book. Copyrighted, the policy was known as the "Big Five" or the "23-Year Endowment" and was one of the Company's most valuable contracts. It was designed to meet the competition of the twenty-payment life policy of the large mutual companies. The contribution of A. L. Dern when he joined the Company in 1917, the contract proved popular with policyowners and agents alike and has been a highly useful sales package. The magazine article related:

"The 'Big Five' policy gives the insured the right to exchange it for an ordinary life policy, giving credit for the higher premiums paid for the endowment policy in the form of lower premiums for the ordinary life. For instance, the annual premium for an ordinary life at age 35 is \$22.41. A 35-year-old man taking a 23-year endowment can change it after five years to an ordinary life policy and pay \$18.56 each year thereafter instead of \$22.41, which is the amount he would have paid for the ordinary life in the first place. THIS CHANGE CAN BE MADE WITHOUT EVIDENCE OF INSURABILITY, which is the strong feature to recommend it."

That same year, 1918, saw the addition of a monthly income disability clause to the Company's stock of policies. The clause provided for the payment of monthly income to a person totally and permanently disabled as a result of disease or accident. There being no exceptions, the coverage commenced six months after the receipt by the Company of the insured's disabled status and applied to disability occurring before the insured reached age sixty. In addition, as long as the disability continued, premiums on the policy were waived by the Company, this "waiver of premium" feature having been used in connection with life insurance for a number of years prior to the introduction of the disability clause. Both the

disability income clause and the waiver of premium feature were new ventures on which there was little experience available for guidance. Maclean states in his life insurance textbook:

"In 1906 the Fidelity Mutual Life Insurance Company of Philadelphia issued a policy containing provision for waiver of premium or, alternatively, settlement by annuity, in event of total-and-permanent disability. In 1906 the Travelers Insurance Company of Hartford adopted the waiver-of-premium provision. It was not, however, until about 1910 that American companies generally began to adopt the waiver-of-premium clause. Policies containing such a provision were in use in certain countries in Europe more than thirty years earlier, and a similar form of insurance was sometimes found in American fraternal orders at about the same time."¹⁵

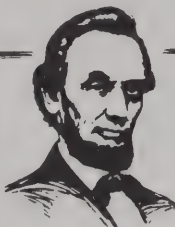
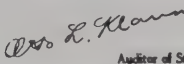
The Victory Thrift Policy

The Lincoln is believed to be one of the first life insurance companies to offer an insured savings plan, introducing it in June, 1919, under the name of Victory Account. The May 2, 1921, issue of Best's Insurance News, Life Edition, quoted this description of it:

"A simple statement of the plan is that by the correlation of decreasing monthly term insurance with a regular monthly and therefore a regular increasing savings account, one who desires to save a given sum of money (\$500, \$1,000, etc.) in a given time (120 months) will, if he lives and continues to make his deposits, be enabled to draw out the amount he set out to save; but should he die at any time during the period he will immediately have a savings account matured for his beneficiary for the amount he intended to save."

¹⁵Maclean, Joseph B., Life Insurance, Seventh Edition, 1951, p. 347.

Glancing at the Victory Thrift Policy reproduced below, one discovers two interesting features. One is the quotation from Abraham Lincoln appearing on the policy's face (which might have been specifically made for such a savings plan!); the other is the name of the insured, Edward D. Auer, currently a vice president of the Company and a member of its board of directors.

	
THE LINCOLN NATIONAL LIFE INSURANCE	
ABRAHAM LINCOLN SAID: "THE DIFFERENCE BETWEEN A MAN WHO SPENDS ALL OF HIS SALARY AND THE MAN WHO SAVES A PART OF IT, IS THE DIFFERENCE - IN TEN YEARS - BETWEEN THE OWNER OF A BUSINESS AND THE MAN OUT OF A JOB	COMPANY OF FORT WAYNE, INDIANA HEREBY INSURES THE LIFE OF No. Y 4095 Age 20 Amount \$ 996.45 DECREASING MONTHLY FOR TEN YEARS To \$ 32.42
Edward D. Auer hereinafter called the Insured, and in the event of the death of the said Insured within ten years from the date hereof agrees to pay at its Home Office to the following named Bank or Trust Company The Lincoln National Bank for deposit to the credit of VICTORY Account No. <u>468</u> of said Insured in said bank or trust company as Beneficiary a sum as stated in Table A on the second page hereof, upon receipt at said Home Office of due proofs of the interest of the claimants and of the death of the said Insured. This Policy is Absolutely Free from Restrictions as to Occupation, Residence or Travel except as to conditions regarding Military or Naval Service and shall be incontestable after two years from date of issue except for non-payment of premium and for violation of the conditions regarding Military or Naval service.	
 Insurance Department—State of Indiana—Office of Auditor of State I Hereby Certify that The Lincoln National Life Insurance Company of Fort Wayne, Indiana, does business under the Compulsory Deposit Law of the State of Indiana, approved February 10th, 1899 and, in accordance with Section Ten of said law, maintains in approved securities in the office of the Auditor of State of Indiana, an amount in excess of the net cash value of all outstanding policies.  Auditor of State.	

Ten Year Monthly Decreasing Term Insurance
Decreasing Annual Premiums Payable for Ten Years or Until Prior Death. Non-Participating Non-Renewable Non-Convertible.

Form 449-1-20-100

The Emancipator Plan

Another of the Company's special type of contracts was a policy called the "Emancipator Plan," still in use in 1955. Introduced in 1929, it was described in an article appearing in the August, 1931, issue of Best's Insurance News:

"This policy is issued at a comparatively low premium for a specified term, at the end of which time it may be exchanged for a new life or endowment policy as of the original age at issue or the attained age at date of exchange. If the insured prefers, he may at that time continue his policy five years longer, at which time all insurance will cease, or he may adjust his premium or insurance and continue the policy as whole life insurance. This policy provides for the creation of a premium deposit fund on which a minimum interest rate of $3\frac{1}{2}\%$ per year is guaranteed; a higher rate up to a maximum of $4\frac{1}{2}\%$ per year will be paid provided the earnings of the Company will justify."

Shortly after the introduction of the "Emancipator Plan," the Company's office bulletin of August 12, 1930, announced the introduction of the two-year suicide clause.¹⁶ This step was not peculiar to The Lincoln--for most life insurance companies were following the trend at that time--and undoubtedly was due to the large number of suicides resulting from the economic depression.

Entry Into Accident And Sickness

For a number of years the Company's entry into the field of

¹⁶The risk of suicide is usually excluded from coverage under a life insurance policy for a one- or two-year period. In event of a suicide during the specified period, payment to the beneficiary is usually limited to a refund of the premiums paid. If suicide occurs after the expiration of the stipulated period of one or two years, the company is fully liable.

accident and sickness insurance had been discussed, and as early as 1941 the agency and insurance committees had come to several conclusions; accident and health insurance was probably easier to sell than life insurance, provided income to a new agent sooner, reduced financing problems of a general agent, afforded a more basic income level for the producing agent, was probably more efficiently integrated into a person's insurance program by a life agent rather than a casualty agent because of its personal nature required a good life agency force if it were to be mixed with life insurance, might reduce the volume of life insurance sold if pushed too hard but could be used to improve an agent's class of business, and furnished information which could lead to the sale of additional life insurance.¹⁷

That no action was taken in 1941, however, was probably due to the strain on the Company's agency force caused by war conditions. Not until 1951 did The Lincoln enter the accident and sickness field with a full line of individual coverages similar to the group plans it offered as early as 1945. As of 1954 the Company's experience has been quite satisfactory, and in the overall picture the accident and sickness line of coverages has multiplied the commission dollars received by its agents without any measurable loss of life insurance volume.

At present the Company has policies for every age and income group. Included in its broad inventory of insurance protection are the following coverages:

Nonparticipating and	Retirement plans
participating life insurance	Mortgage redemption
Accident and sickness insurance,	Impaired risk service
noncancellable and commercial	Salary savings systems
Disability income	Supplemental term riders
Juvenile insurance	Pension plans
Special low cost plans	Complete group coverage
Flexible family income plans	Credit protection plan

¹⁷Report to the Company's agency and insurance committees by M. D. Johnson and H. F. Rood, December 22, 1941.

CHAPTER 6

THE AGENT--HIS STRATEGIC ROLE

Fifty years ago the lot of the insurance agent was not an enviable one. Anything but a profession, his job lacked social and financial attractiveness, for there was little public interest or confidence in life insurance. The disclosure in 1905 of malpractice among companies in the East, as has been pointed out, hit life underwriting a severe blow, and no one suffered a greater loss than the individual field agent. At that time, moreover, comparatively little life insurance was bought, and the man who owned a \$1,000 policy felt amply insured. Religion entered into the picture for many people, who believed that "the Lord would provide," and saw no reason why they should prepare themselves for the future.

That situation no longer exists, however. Today the public appreciates the importance of life insurance. The position of the agent is more of a professional status, particularly for those holding the designation of Chartered Life Underwriter. Upon completing specialized training and meeting rigorous requirements as set forth by the American College of Life Underwriters, the C. L. U. is equipped to do a superior job for his clients. Many states are giving recognition to the need for minimum standards in life underwriting and, as in law or medicine, are requiring all practitioners to pass a qualifying examination before being granted a license. Moreover, our society in the past half century has grown more complex, with higher taxes, an increased use of credit, and more emphasis on planning for retirement and the care of dependents, among other uses. As a result of all these forces, the individual's need for professional assistance in financial planning is increasingly greater. It is as the planner that the professionally educated agent enters the picture.

Life insurance has to be sold. Over and over again experience has proved that it does not sell itself. Moreover, the policies offered in 1955 by more than nine hundred companies¹ are

¹Best's Insurance News, Life Edition, February, 1955, reported a year-end estimate of 917 companies.

specialized and intricate, their adaptation to individual needs requiring knowledge with which the layman is seldom equipped. Therefore the agent plays a key role in the life insurance business.

Duties Of An Agent

As a producer of business, an agent serves as liaison officer between his company and the public. In such a position, he almost holds the success or failure of the institution in the palm of his hand. His function cannot be minimized, for when he stops work, the business stops growing. Yet, this is not to belittle the administrative heads in the home offices, for without them an agent would have nothing to sell. But through cooperation between agent and home office, the life insurance industry as a whole at the end of 1954 had \$277 billion of insurance in force, backed by over \$73 billion of the soundest assets the knowledge and judgment of trained men could assemble.² Certainly no growing company can afford to neglect its field force; on the contrary, there is every reason to believe that improvement of the agent's position betters the entire industry.

A scrutiny of the agent's work led Arthur Hall to say in 1929:

"He writes biography every day. Not with words and sentences, but in substantial actions; and not on paper, but on the lives of many men and women and children.

"He is making history in helping people to accumulate money for their future needs. Temporarily this money is being used to build skyscrapers and railroads, to finance industry, to carry out countless gigantic enterprises.

"His work is not of the academic and pedantic occupations. His work is on the firing line, mixing with people, meeting with and solving practical problems. He enjoys the blessings of a virile he-man's job."³

²"The Tally of Life Insurance Statistics," Institute of Life Insurance, September, 1954.

³The National Underwriter, April 26, 1929.

As The Lincoln grew from a one-man organization into a firm requiring the services of field agents, Hall was faced with the problem of securing competent representatives. At that time, he recognized two methods of developing the agency organization. The first called for the hiring of experienced salesmen at somewhat high cost to the Company. The second was to find promising but inexperienced people, training them in the principles of insurance salesmanship as they practiced selling.⁴ There was little difficulty in arriving at a decision as to method, however, for the Company could not afford the first alternative: the cost of experienced men was prohibitive. Accordingly, school teachers were encouraged to begin training and to sell during the summer months when they were not working in school. Since selling life insurance requires the teaching of its benefits to the prospect before the sale can be made, this class of agents did well in writing a high grade of business, and this plan was used successfully by the Company for a number of years. Full-time contracts were awarded those who were successful and who chose to stay in the business.⁵

First Agency Convention At Wawasee

The first meeting of The Lincoln's representatives was held at Lake Wawasee in Northern Indiana in August, 1906. The Company was barely eleven months old, but Hall felt it was a proper time for the force to have an outing at the Company's expense and refresh themselves before the Fall business was underway. With confidence he told the men, "This little crowd of successful producers forms the nucleus around which The Lincoln National Life Insurance Company will in a few years build a great agency force, and I hope to see these same men at our annual meetings for years to come." Later during his speech, he told them, "Our records show 702 policies in force representing \$1,681,000 of insurance with over \$60,000 in premiums. The average policy is \$2400, and the average premium \$37."⁶

⁴Minutes of the directors meeting, July 31, 1907.

⁵Minutes of the stockholders meeting, June, 1911.

⁶Hall files.

Paint Houses Or Sell Life Insurance?

But the path of these pioneers was not entirely smooth, for, as we have seen, sales were difficult to make. W. C. Bishop, a member of the small group, had received special recognition for his ten months' production with the Company. In spite of this, he was seriously considering a return to house-painting as a better means of support for his large family! After all, he could earn \$15 a week as a painter, and he had a wife and six children to support. Before making the move, however, he discussed his problem with Max Blitz, another agent of the Company. Blitz persuaded Bishop to stay with life underwriting and gave him several prospects which resulted in two immediate sales of \$5000 each. Evidence of the wisdom of Bishop's decision to continue selling can be found on the white lobby walls of the Company's home office building, where his name is engraved deep in Indiana limestone as the Company's leading producer for 1909, 1910, 1912 and 1913.

In 1907 the management decided to experiment with establishing agents in some of the larger cities in Ohio and as far distant as Pittsburgh. Previous to that time small agricultural towns had seemed to be the best places to do business, and the Company management had not believed in city agencies, for, according to its notion, keen competition would make such expansion too costly for the amount of insurance written.⁷ A few years later this reasoning still appeared valid, for in June, 1910, the agency contracts in Pittsburgh and Cleveland were dropped because of their high expense relative to their production.⁸ Nevertheless, policy was again reversed many years later when in 1931 it was the unanimous decision of the agency committee that no further effort be made to establish agencies in cities of less than 100,000 population.⁹ Thus, the emphasis was shifted from the development of rural business to the

⁷Minutes of the special committee meeting, December 20, 1907.

⁸Minutes of the directors meeting, June, 1910.

⁹Minutes of the agency committee, February 11, 1931.

establishment of agencies in larger centers. Undoubtedly the decline of the small town as a trading center during these years, caused by a shift in population from rural to urban areas was the chief factor in this decision. As always, the Company's management policies have tended to be flexible with current needs and conditions.

New methods that appeared promising were continually being tried. On June 9, 1909, the Company split its stock ten to one. Each old share of \$100 par value became ten new shares of \$10 par value each after the stock split. The Company's agents then offered their prospects the right to buy four shares of Lincoln Life stock at \$15 per share with each \$1,000 of insurance purchased. Three or four years later the offer was discontinued. It is interesting to note that one share bought for \$15 during that interval and held until 1955 would have increased, with subsequent stock dividends, to four shares, and would have, on April 26, 1955, a market value of \$1532 (four times \$383). A holder of each share of original stock offered prior to June 9, 1909, would today own forty shares with a market value of \$15,320.

The Lincoln Rose And Agent Hall

In 1911 the first Hall Month sales contest was held among Company agents for the production of new business. Named in honor of the Company president, this annual affair gave rise to the rose card tradition: to each application for insurance that month was attached a greeting card, on which was printed a large rose. The rose had a particular meaning for Hall whose fondness for the flower had an interesting origin. His mother had served on the committee to replenish flowers on the casket of Abraham Lincoln as he lay in state in Indianapolis. When the flowers were removed, Mrs. Hall was presented with a rose as a memento of the occasion. She gave this rose to her son, who preserved it carefully in The Lincoln Museum on the fourth floor of the home office building, where it is kept to this day. The rose card tradition continued for thirty-one years until Hall's death in 1942.

From the start, a portion of Hall's compensation as secretary and manager of the Company consisted of commissions derived from an original agency contract granted him as an inducement to develop the business. Under terms of the contract, he received a small percentage of all renewal premiums paid to the Company. Admirably suited to the needs of the Company at that time, the contract proved profitable to both parties. It was approved by the Insurance Department of the State of Indiana in a report, part of which follows:

"This contract has been scrutinized in previous examinations of this company by the Indiana Department and the departments of several other states. A contract of this nature, as a general proposition, is subject to criticism. In the case of this company, however, it does not seem to have worked out badly. The disposition on the part of this officer as well as the other officers and directors of the company to safeguard the interests of the company in every possible way is apparent."¹⁰

During the first few years, Hall felt that growth of the field forces should await the Company's internal development. At that time this was an attitude typical of young companies which failed to recognize the vital part played by field representatives. It was not long, however, before Hall saw the error in this preconception and reversed himself.

As the Company began to realize the vast areas of population that potentially awaited its agents, Hall felt the need of a strong agency executive. He appealed for suggestions to Jack Oliver, editor of the Insurance Indicator, and was told of a man in the East, Walter T. Shepard--"a live wire, a man with a delightful personality, and successful so far in his present job as field superintendent for The Security Mutual Life of Binghamton, New York."¹¹

¹⁰Report of Insurance Examiner for the State of Indiana, July 30, 1917.

¹¹The Emancipator, August, 1945, p. 120.

The Walter Shepard Story

It was early in the winter of 1909 that Hall invited Shepard to come to Fort Wayne for an interview. After checking on the size of the Company, Shepard wrote Hall that it hardly justified the expense of a trip, for he had no intention of joining a small and struggling western company. But Hall was a man to whom it was not easy to say "no."

A sudden trip to Pittsburgh became necessary for Hall, who, seizing the opportunity, wired Shepard and suggested they meet there. In his message Hall told Shepard that if he were concerned about the expense of a trip to Fort Wayne, the cost to Pittsburgh was much less!¹² Shepard felt courtesy demanded he accept the invitation, so he went.

As it turned out, this was not an ordinary meeting. One can almost imagine the frantic indecision that must have flowed back and forth in Shepard's mind as Hall related his ideas and ambitions for the Company, explaining the new service-to-the-public principle of The Lincoln and parading his ideas for the development of the Company's new agency force. Finally, with much conviction, Hall pointed out the path of success for both The Lincoln and this ambitious young man from Binghamton. All this must have sounded challenging enough to Shepard, for he accepted.

Born on October 6, 1873, Shepard was thirty-five when he linked forces with Hall. He had been field superintendent for The Security Mutual, a successful connection in all respects. In making his decision in favor of The Lincoln, he gave up the known for the unknown--the lucrative job he had for the uncertain proposition Hall outlined. Many another person might have thought the proposition offered a feeble promise indeed in a small midwestern town, but not Shepard. Shepard was a man to whom the acceptance of just such a challenge was a thrill, and he burned with curiosity over the new venture.

¹²The Emancipator, June, 1929, p. 136.

In coming to Indiana on June 1, 1909, Shepard saw--not the meager office he visited with its kitchen table and two rough, straight-backed chairs, not the one office girl the business could afford, not the drab streets of Fort Wayne--but rather what his newly acquired friend, Hall, envisioned: a vigorous and honorable enterprise that someday would be nationally recognized. That was enough for him.

At half his former salary he plunged into the new venture as assistant superintendent of agencies and rode a hired horse and buggy over country roads in search of men of the type he wanted to sell the Company's policies. Hall gave him full charge, and agent after agent was added to The Lincoln's team. It was "Go!" with Shepard from the moment he stepped on Indiana soil.

In the following year, 1910, he was appointed superintendent of agencies, and only two years later, in 1911, he was promoted to vice president in charge of agencies and a directorship of the Company. His remarkable work at developing the Company's agency force had received quick recognition.

Walter Shepard did not start his working life with the intent of being in the life insurance business. He was really "Dr. Shepard," having graduated in dentistry a number of years prior to his becoming a life underwriter. The confinement of dentistry practice, however, had seriously affected his eyes, and he had been exiled to a darkened room for six months. As was once said of him, he "had to go blind in order to see the light of life insurance."¹³

At first, following his recovery, he had been a special agent and later a general agent for The Provident Savings Life of New York. His father-in-law, president of The Security Mutual, had offered him a position with that company as field superintendent of its western division. Not without precedent did he become a salesman, for his father had for many years been sales manager for Colgate and Company.¹⁴

¹³American Insurance Digest, loc. cit.

¹⁴Ibid.

One of the first things this new agency man did with The Lincoln was to "clean house." When the dust cleared, the entire agency force consisted of three full-time agents, and the Company had over \$4 million of insurance in force. Shepard enjoyed reminiscing about the old days when the goal was \$100,000 of paid-for business a month. Then it grew to \$200,000 a month, then half a million, and finally was measured in terms of millions of ~~dollars~~.¹⁵

He had a genuine love for men who would work and who understood his slogan, "Achievements are the only things which will cause men to look our way."¹⁶ Gifted with deep human sympathy, Shepard knew the hopes and problems of his small army. His sincere interest drew his agents to him when they needed help, and he fortified them with advice and encouragement to accomplish their goals.

"Walter Shepard had that rare quality of leadership, coupled with a delightful and inspiring personality that stimulates men to greater efforts and thus to larger success."¹⁷ "Pep and enthusiasm ooze from his every pore, but with no ill effects in so far as go his fashion-plate clothes and gray spats."¹⁸ He seems to have possessed the ability to make men feel proud of themselves and want to be with him. "His friends and associates have often said, 'A few minutes with Shep leaves you walking on air with your head in the clouds.' It was this compelling personality in those early days that won for The Lincoln men of exceptional ability to its agency force."¹⁹

¹⁵"The Lincoln National's Twenty-First Anniversary Jubilee Convention Publication," September, 1926, p. 7.

¹⁶Life With The Lincoln, June, 1930, p. 3.

¹⁷The Emancipator, August, 1945, p. 120.

¹⁸American Insurance Digest, loc. cit.

¹⁹The Emancipator, loc. cit.



WALTER T. SHEPARD

His success formula, regarded by him as unbeatable, consisted of two ideas--practical planning and consistent application. "In working out his twin ideas, he says he had the same initial assets as everyone else--brains and time. Everyone must put that kind of capital into his job if he is to succeed. But most men are mentally lazy--they refuse to exercise and apply the brains they have, and so they do not succeed as they might."²⁰

Some of the expressions he used to perk up the agents have been accumulated in one issue of a Company magazine and remain timely as the Company attains the half-century mark:

"The hobo has as many hours as the bank president.

"To get the most apps, tune in on the most homes.

"The ability to sell life insurance will get you nowhere unless you apply that ability.

"There never was anything accomplished until someone made a resolution and then had the courage and determination to stick to it.

"Look the whole world straight in the eye, without fear, and say firmly and positively: I believe in myself and I can and will succeed."²¹

In 1933 Shepard left the home office in Fort Wayne and became general agent for the Company in Los Angeles, having as his territory the entire district of Southern California. This was in his sixtieth year of life, and he continued vigorously for twelve more years to train young men in his new agency.

In 1945 at the age of seventy-one, he retired from The Lincoln

²⁰The Emancipator, June, 1929, p. 136.

²¹Monday Morning Message #44, September 30, 1929.

after thirty-six years of service. After a long illness he died in Los Angeles in 1952 at the age of nearly seventy-nine. His many contributions in developing the Company's agency force, particularly during its early years, remain unsurpassed and constitute one of the principal reasons for The Lincoln's healthy existence today.

"Agent Of The Devil"

The colorful career of another Lincoln Lifer was cited in 1930 by an article which opened:

"If you go to the little city of Berne, Indiana, in the center of the Limber-Lost region that Gene Stratton Porter loved to write about, and ask anyone for the life insurance man, they will direct you to the office of O. F. Gilliom of The Lincoln National Life. If you ask for the president of the Chamber of Commerce, they will direct you to the same individual. You would easily locate him likewise through many other of his activities, such as his interest in church work and Christian Endeavor work, his part in industrial and banking circles of the little city, etc."²²

One April morning in 1910 a Hoosier schoolmaster was clanging his school bell when a stranger drove up before the door. O. F. Gilliom stopped pulling the bell rope and met Walter Shepard, to whom Gilliom had been recommended highly as a man of strong character and the potentialities of a good insurance salesman. Schoolmaster Gilliom listened to agency manager Shepard's business proposition, then turned away to hear the morning class in geography. He had not been sold.

But Shepard was not discouraged. In his one-horse buggy, he made six trips over the dirt roads back to the little brick school house before finally securing Gilliom's attention with the promise that selling life insurance would be hard work. This was a challenge to Gilliom, and in due time he met it, signing a contract

²²Weekly Underwriter, May 10, 1930, p. 59.

with The Lincoln on April 27, 1910. There was the beginning of a long and picturesque story.

The story is all the more remarkable when the circumstances surrounding it are considered. A bit of Switzerland had been transplanted into the Indiana village of Berne, only thirty-five miles from Fort Wayne. It was a town settled by sturdy, rugged and religious agriculturists, whose thought and custom dominated it and laid out in little squares the paths that feet and mind might go. In this community of less than 2,000 citizens, Gilliom was, like most of the others, a member of the Mennonite Church, the center of the town in every sense of the word. The religious people were a unit in violently opposing insurance, and especially life insurance, as the work of the devil, for to them it meant gambling with human lives. "Insurance agent" being tantamount to "agent of the devil," Gilliom was threatened with excommunication. He faced the Herculean task of educating the entire settlement to the concept of life insurance as a means whereby an individual could find security by joining his individual uncertainty to the relative certainty possessed by a group.

One of eleven children, Oswin F. Gilliom was born on a forty-acre farm three miles from Berne. His father was a believer in a life of strenuous work, which set the pattern for his son's lifelong activity. Attending a district school, he eventually qualified as a teacher by dint of late hours of study over his oil lamp, and taught three terms of grammar school before he was twenty-one. Working his way through college and graduating from Tri-State in 1910, he became a successful teacher and high school principal.

Then began the soul-searing first years in the insurance business. His move created an uproar. His wife hardly dared to go home to talk with her mother because of the disapproval she knew she would meet. There were family councils in his own family and that of his wife. His pastor came to counsel him. His elders spoke sorrowfully to this young man of twenty-five. He was told, "Why, they will kick you out of the church! Go into something that is honorable and respectable. An insurance

agent is in the same class with the saloon-keeper, the gambler and scoffer."²³ Influence was brought to bear--he was offered a job at a local bank if he would withdraw from insurance. All of this was to no avail, however, for Gilliom's mind was set on this new challenge before him.

He sold more than fifty thousand dollars of life insurance in the first few months, buying a home and paying for it a year and a half later out of his commissions. His original clients were some of his former pupils who believed in him enough to buy the first policies he sold. In the days when the first job was to sell the Company in addition to explaining the idea of insurance, he stressed the values of life insurance to the living, that a policyowner did not have to die to benefit from the contract. For miles over the countryside he pedalled his bicycle, and a hundred "No's" had not the power to make him stop.²⁴ In an article appearing in the Company's agency magazine in 1919, Gilliom related some of his methods:

"Several years ago when I first began to work insurance I met with very much opposition, and I to this day can hardly see how it was possible to withstand it. It was discussed on the streets, debated in the schools and questioned in the Sunday School classes. What a great moral question had to be decided!

"The change was brought about by different sentiment due to several sources. Indirect means of approach often in such a community counts most. Methods that will educate and enlighten are suggestive. I used to say that many of these cases were hopeless, but I have changed my mind as during the past year I wrote some of the hardest cases that formerly were most opposed. I have asked several what ever changed their notion on this

²³The Emancipator, July, 1928, p. 141.

²⁴At one time (probably around 1920), Gilliom learned of a man named Lincoln G. Life and sold him a policy in the company whose name was so similar.

matter, and in most cases they state 'the man behind the proposition.' There you have it, the agent again is the big factor, his mingling, his conduct and association finally makes the proposition secondary. How strange that I was able to interest a few of the hardest cases first with term insurance by placing it on the parallel with their fire insurance. Within a year one is able to convert the most of them into other forms.

"One helpful source that proved valuable was to try and win the influence of some leading man in the community; if possible one of their own members. This has been a mighty help to me, and every community has such material. Another source that I employed, however it may sound ridiculous, was to get a great many started on health and accident insurance. With some it was wrong to buy life insurance but this other kind was not. Now I did not write this accident insurance myself, but invited accident men to enter the vicinity and furnished them with names. Later I followed up these names, and the number that were converted into life insurance after they had taken that 'initial and fatal plunge' were not few. Everything, you know, must be done on a gradual plane.

"Then again, as I have intimated before, the main objections were due to religious scruples. Frequently the newspaper was used in some indirect way to offset this. Use portions of sermons or accounts of noted men on life insurance without your name connected with it, and before they are aware, it is digested and into their system completely. If someone has matured a policy, be sure that a local item be made of this. If death claims were paid, have that arranged so that it will strike some unbeliever.

"Through the various methods and means employed, there has been a revolution in this community the past nine years in insurance, greater than in any other line.

The ministers carry it, the deacons, college professors in the denominational schools; yes, practically all, and instead of calling the ones who 'indulge' crooked and foolish, very frequently they call them blessed."²⁵

Some years later, in referring to the tempest Gilliom aroused, another magazine article related:

"His first spurt of success so aroused public opinion in the county that a great debate was staged upon the subject: 'Is Life Insurance Right or Wrong?'

"Everybody in town was there. The farmers drove in for miles to hear the oratory, and it was absolutely and conclusively proved forever in their opinion that life insurance was positively immoral, irreligious, and wrong!

"Yet that debate was good advertising for O. F. Gilliom. He decided that he must be succeeding or else the countryside wouldn't be so stirred up. So he didn't mind the glares of hundreds who were turned away from the debate, because of lack of room. He didn't mind the hisses that were sent after him. He didn't mind the sneers. He kept right on.

"There is a great contrast between those days and today. Now O. F. Gilliom is a strong man in his community. They have taken him back into the arms of the church. He has one of the largest Sunday School classes in the Mennonite Church (more than one hundred members). He is a national trustee of the Christian Endeavor Society, and interested in many other activities."²⁶

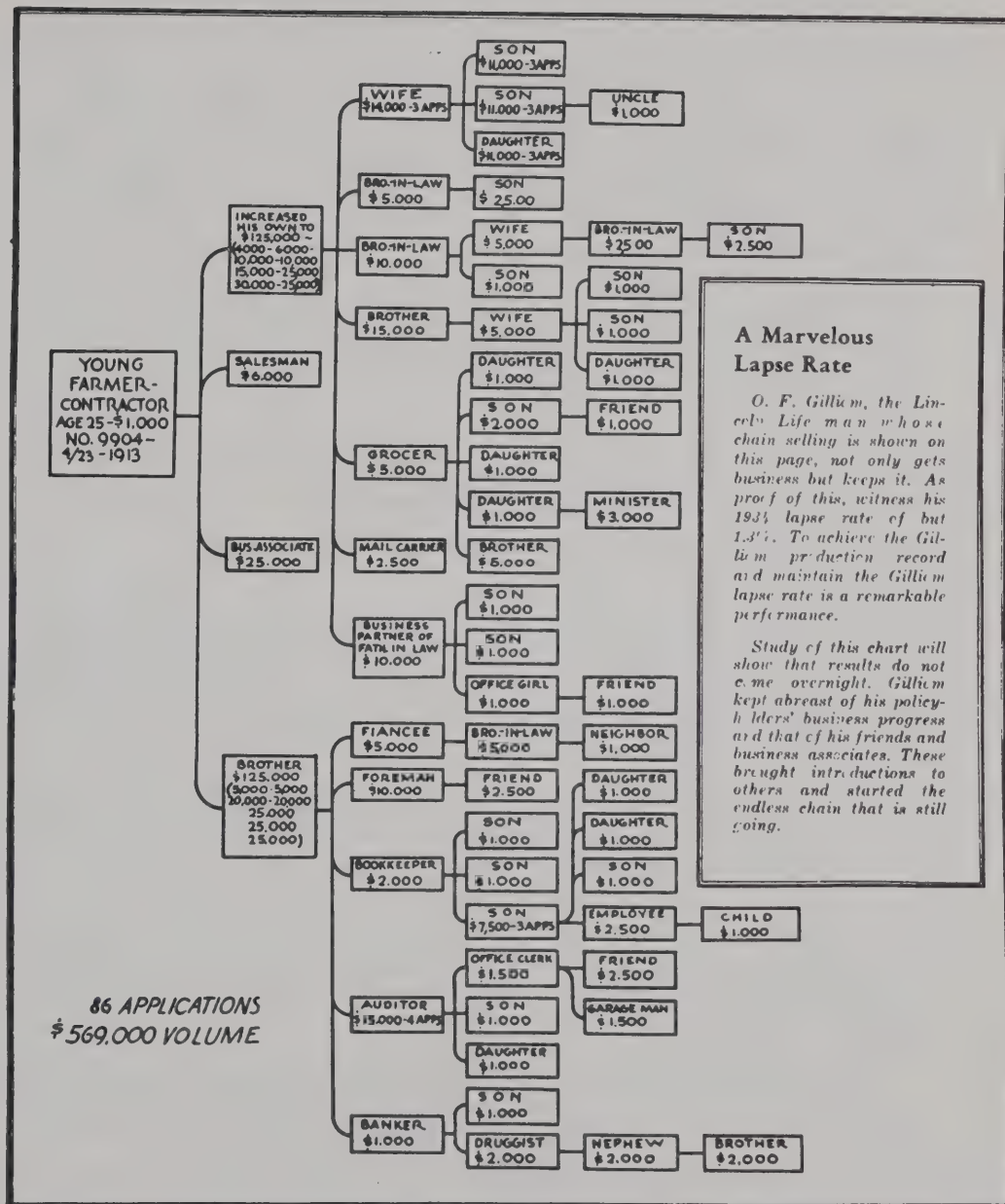
Illustrative of one of his methods, frequently called the "endless chain" technique, was a chart which appeared in the Company's agency magazine.²⁷ Titled "Gilliom Sees It Through," it showed the record of 86 applications and \$569,000 of volume written as the result of one contact.

²⁵The Emancipator, July, 1919, p. 50.

²⁶Ibid., July, 1928, p. 142.

²⁷Ibid., October, 1934.

-- GILLIOM SEES IT THROUGH --



An actual "endless chain" selling chart based on the experience of O. F. Gilliom, LNL general agent at Berne, Indiana.

His record was even more notable because of his consistent production. He sold at least one policy each week for over 1,307 continuous weeks--more than twenty-five years--until stopped by illness in 1939. At that time this was an industry-wide record. At a testimonial dinner with 150 clients and friends in Berne in 1935, The Lincoln honored him on his twenty-fifth anniversary with the Company. A. L. Dern, vice president and director of agencies, spoke of his outstanding production record:

"We have searched extensively in the archives of the insurance business for a record of consecutive weekly production that would exceed Mr. Gilliom's. Our investigations were national. We were unable to uncover word of any man who has exceeded the record of more than a quarter century of consecutive weekly production achieved by O. F. Gilliom."²⁸

In addition, he ranked first among all Company agents for six of its first fifteen years--1911, 1914, 1915, 1916, 1917, and 1920--and his name appears with those of W. C. Bishop and other leading underwriters on The Lincoln's Roll of Honor.

The secrets of Gilliom's success, as he stated them at an earlier banquet in his honor,²⁹ were:

"Accept the challenge of hard work which life insurance salesmanship offers. Be determined to do that hard job well.

"Try to work and live every day so that you will contribute toward raising the respect which the public is now feeling toward the life insurance agent.

²⁸Memorandum to the writer in 1953 by John White, advertising manager with the Company.

²⁹Remarks made at a banquet honoring Gilliom's ten years of service with The Lincoln, April 27, 1920, as reported in The Emancipator, May, 1920, p. 19.

"Be a specialist. Do one thing so well that you make it pay you the returns you are seeking. You cannot serve two occupations successfully."

Gilliom was forced to retire in 1952 and at the age of sixty-seven because of ill health; he died two years later. At his funeral he was recognized not so much for what he accumulated in worldly goods but for the financial security he brought to thousands in his community. His name is engraved on the limestone walls of the Company's home office building and undoubtedly in the hearts of the many people to whom he brought the comfort and protection of life insurance.

A Young Company Is Recognized

In the period between 1910 and 1920, the Company was in a position to expand, and expand it did. With the addition of Walter Shepard's agency development skill in 1909, coupled with the brains and ingenuity of Franklin Mead in 1911--both combined with leadership and inspiration from Arthur Hall--the Company began to bulk large on the horizon of life insurance. Even its growth prior to 1910 had been recognized in an article appearing in Rough Notes, an insurance journal, in October of that year. The magazine, published in Indianapolis, paid high compliments to The Lincoln's rapid progress in the first five years of its life. Hall quickly recognized the publicity value in the matter, and when a newspaper account of the article appeared, it was made the subject of a Company advertisement, embellished with Hall's handwritten comments in the margins.

Meanwhile in the years, 1903-1912, the nation was reading headlines of momentous events. The first successful airplane flight was made on a chilly December day in 1903 at Kitty Hawk, North Carolina, while the first automobile crossed the continent in fifty-two days under its own power. The St. Louis Exposition opened with "Meet Me in St. Louis, Louie." Teddy Roosevelt was swinging a big stick--and an election. San Francisco was rocked by an earthquake followed by a devastating

Some reasons why we stand so high in the estimation of the public and Insurance Commissioners

Because we have never paid any Commission on the sale of any of our stock—

Because we had no promoters or organizers expense of any nature—

Because neither a stockholder nor a policyholder has ever been preferred over another—everyone paying 100 cents on the dollar—

Because as compared with other companies of the same age our management expenses are exceedingly low—

Because Lincoln Life policies are even more liberal than the laws require—they contain more benefits and privileges and fewer restrictions than policies of other companies—

Because for every \$100 of liabilities we have \$185.79 of assets—

Because nothing succeeds like success

Paid Up Capital, \$164,000.00

Comparative Record of Growth For Five Years

Year Ending September 30	Premium Income	Assets	Insurance In Force	Surplus to Policyholders
	\$	\$	\$	\$
1906	60,493	164,000	1,600,000	131,330
1907	68,731	188,500	2,100,000	154,833
1908	95,137	275,000	2,900,000	185,126
1909	149,927	330,000	4,500,000	171,525
1910	179,484	454,000	5,200,000	209,616

No form of investment is more secure than stock in a successfully established Life Insurance Company; few investments increase as much in value, or yield as large dividends.

The richest city (per capita) in the U. S., Hartford, Conn., is made so by reason of its large holdings of Life Insurance Stocks.

The Lincoln Life—than which there is no sounder nor more carefully managed company—offers to desirable parties a limited amount of its capital stock.

It paid 5 per cent. dividends in 1909, 6 per cent. in 1910, and from time to time hopes to increase its dividend rate.

Its stockholders will secure an investment, exceptional in its security and future earning ability.

Only a limited amount sold to one person.

Particulars as to price and amount furnished by the Home Office.

THE LINCOLN LIFE

"Its Name Indicates Its Character."

(Shoaff Bldg.) Fort Wayne, Indiana

GAZETTE.

EVERY
IN THE
10 CEN

8, OCTOBER 21, 1910. (BY ASSOCIATED PRESS)

LINCOLN LIFE PAID HIGHEST OF COMPLIMENTS

ROUGH NOTES, LEADING INSURANCE JOURNAL, WRITES OF COMPANY'S RECORD.

INDIANAPOLIS Oct. 20.—In its latest issue, Rough Notes, published here, and one of the leading insurance journals of the west, pays a very high compliment to one of the life insurance companies of the state, the Lincoln Life of Fort Wayne. Rough Notes says in part:

"The Lincoln National Life Insurance company, of Fort Wayne, Ind., was five years old Sept. 15, 1910. The first five years in the life of an insurance company might be well termed the 'critical period' in its existence, for in that time the ability of the management will be tried and the character of the company will be well known."

"It is interesting to note how a young company, setting forth at the beginning of this period of turmoil, has weathered adverse currents and how its officers have given an account of their trust."

"As to the record of the Lincoln National Life during this five year try-out period, the record is as follows: At the end of its first year, September 30th, 1906, the company had in force \$1,600,000 of insurance, producing an annual premium income of \$60,493. Its assets were \$164,000, and the surplus to policyholders \$131,330. A year later the insurance in force was \$2,100,000, with corresponding increases in the other items. In 1908 the insurance in force was \$2,900,000; in 1909, \$4,500,000, and on September 30, 1910, it was \$5,200,000. On this fifth anniversary the annual premium income had grown to \$179,484, the assets to \$454,000 and the surplus to policyholders to \$209,616."

"The deposit with the clerk of the auditor of state of Indiana was considerably in excess of the amount required by law. The assets were not liquidated, \$179,484 being in mortgage loans which are recognized as collateral as security for life insurance companies."

"This is indeed a record of which the officers who have guided the company through its five-year period have every reason to be proud. The company has proven itself a credit to its community and to the insurance industry. The growth of the company, fortunately, has not been phenomenal, but has been steady and has been produced along conservative lines."

"The earnest determination to make a clean life insurance company has won for the Lincoln National Life a large measure of confidence, and it stands well in the four states in which it operates—Indiana, Ohio, Pennsylvania and Michigan. It deserves success and will continue to grow and thrive."

Successfully over the hill and a great future certain.

Our wonderful record is more fully given in table below.

Our policyholders money is in the first mortgages—there is nothing better.

They are proud!

As permanent and lasting as time itself.

Already a great institution and steadily growing greater!

A YOUNG COMPANY IS RECOGNIZED

fire, and in 1906 Oklahoma became the forty-sixth state. People complained about the high cost of living while Peary trekked to the North Pole in 1909. Then in 1911 Roald Amundsen claimed the South Pole for his native Norway. As New Mexico and Arizona became the forty-seventh and forty-eighth stars in our flag in 1912, the "unsinkable" Titanic rammed an iceberg in the Atlantic, where 1,517 passengers heard the band play "Nearer My God To Thee" and drowned. The head of Abraham Lincoln had replaced the Indian head on pennies, and in industry, Bakelite opened the plastic field. Evinrude manufactured a successful outboard motor, and Henry Ford went into mass production with the Model T chassis.

By the end of 1916 the Company's insurance in force had reached approximately \$31 million as it entered a period of unprecedented growth along with the rest of the nation. Amidst a period of economic prosperity, the life insurance business introduced group insurance and encouraged the use of settlement options for policy proceeds. Disability and double indemnity benefits were offered the public, and life insurance was more widely used for business purposes and as a provision to pay inheritance taxes. To help the growth, favorable mortality experience and high interest earnings were at work to reduce the cost of insurance. In addition, the federal government issued war risk insurance on the lives of those in the armed forces, and this tended to raise the sights of the buying public. Where The Lincoln's average policy in 1914 had been \$1,385, it jumped to \$1,977 the following year, and further increased the next year, 1916, to \$2,344.

Encouraged by general conditions and by its own growth, the Company began to make big plans when in August of 1917 it established a goal of \$100 million of insurance in force by 1920. This was an ambitious program, for, as we have seen, the amount of business in force at the end of 1916 was \$31 million, and the new plan called for tripling that figure within four years.

It all began at the Company's agency convention banquet in August, 1917, when Hall closed his talk with these words:

We look to you Emancipators and Railsplitters--
to you leaders--to light the pathway of the Company's
future progress, and I ask you now to please rise and
drink to a toast that I have to offer:

"With good hard work
We will write a plenty,
To make a hundred million
By Nineteen Twenty!"³⁰

As a definite step toward attaining this aspiring goal, a special contest was held each month. February was Lincoln Month; March, Lions and Lambs Month; April, Agents' Month; May, Hall Month; June and July, Baseball Month; August, Convention Month; September, Anniversary Month; October, Shepard Month; November, Directors' Month; and December, President's Month. The naming of a month for Shepard marked the first time a one-month Autumn contest had been held in honor of the Company's agency director, but the practice has been continued each year since without interruption.

Apparently the challenge was met with an immediate response, for even at the end of 1917 the total protection had doubled into \$63 million (\$19 million of which, however, had been acquired through purchase of another company, The Pioneer Life Insurance Company of Fargo, North Dakota.³¹) By the end of the next year, 1918, the total had swelled to \$76 million, and in 1919--one year earlier than planned--the objective was reached with \$109 million on the books. The Lincoln was then operating in seventeen states. Perhaps the estimate of the agents' strength in 1916 was not so elevated after all, for in 1920 the Company had \$159 million of life insurance in force! The teammates of Hall, Shepard, and Mead rallied to the call, and The Lincoln was on its way.

³⁰Hall files.

³¹Details of this purchase will appear in the next chapter.

A. L. Dern, From Pioneer To Lincoln

With the purchase of The Pioneer Life, The Lincoln acquired the services of another talented agency builder, A. L. Dern.³² Joining the Company in 1917, he quickly rose through the ranks and became vice president and director of agencies in 1933. His philosophy of agency management centered around the careful selection and thorough training of qualified men to represent the Company in the field. He looked on his agency heads as generals who recruited and trained their own armies with minimum intervention but maximum help from the home office. Constantly stressing production, he nevertheless emphasized the importance of giving clients the best possible service. During his tenure with The Lincoln, he served as chairman of the agency section of The American Life Convention and as chairman of the board of directors of the Life Insurance Sales Research Bureau, now known as the Life Insurance Agency Management Association. Shortly after his death in May, 1947, he was eulogized by President A. J. McAndless in The Emancipator, excerpts from which follow:

To The Memory Of Al Dern

"A passing ship leaves a wake of agitated water which in due time spends its force in the sea of which it is a part. So it is also with the life of a great man in his travel on the sea of time. When his brief voyage is over and he returns to the harbor of eternity, those who knew

³²The following, in memorandum form, was furnished the writer by John White. "Mr. Dern was born in Hooper, Nebraska, and entered the life insurance business in 1907 as an agent in New York where he studied actuarial science in the New York University School of Commerce and Finance. He served with an actuarial consulting firm in New York before affiliating with The Pioneer Life Insurance Company in 1912. Just a few months after joining The Lincoln he was promoted to superintendent of agencies and subsequently became vice president and director of agencies. He was elected to the Board of Directors in 1923 and succeeded Mr. Shepard as head of the Company's agency force in 1933. He filled this position until his death following a brief illness fourteen years later."



A. L. DERN

and loved him are brought to realize, poignantly and often for the first time, how great was the force and motion of his life.

"Al's life was built on the bed rock of a rugged physique which was the fountain head of his character, personality and mental forces. Broad of shoulder, strong of bone and muscle, he stood solidly as an oak in the forest of men.

"Al was kindly, even of temper and judicious in his relationships with others. These qualities were written on his face and quickly approved him as a gentleman in the minds of all who came in his presence.

"Al possessed a sense of humor which found expression in a highly developed talent for story telling and repartee. No one having once heard him tell a story in dialect, or having heard his hearty laughter at the conclusion of a good story told by another, could question his human and down-to-earth qualities.

"Al was modest and retiring in just the right degree. He was fully aware of his resources of ability and strength but he never dissipated them in mere display or unnecessary use.

"These few memories of Al are as mountain peaks to the range of which they are a part. They will serve their intended purpose if for today and for the days to come they recall the foothills and the shady glens and valleys of his life which all of us shared in a manner too intimate for recording here.

"Though we must be resigned to the fact that in the flesh he is no longer with us, yet the path he blazed through the years remains for us to use and enjoy, and, as he would insist, for us to broaden and extend."

--A. J. McA.³³

³³The Emancipator, June, 1947, p. 3.

Cecil F. Cross, Agency Leader

The third agency manager to follow in the footsteps of Shepard and Dern was a man of unusual courage and versatility. Trained as an actuary at the University of Michigan (where he was a member of Phi Beta Kappa), Cecil F. Cross was first associated with The Central Life Insurance Company of Des Moines and The Inter-Mountain Life Insurance Company of Salt Lake City. He came to The Lincoln in September, 1920, at the instigation of McAndless, and served as the Company's chief underwriter for two years. Leaving in 1922 to become actuary for The American Life Insurance Company of Detroit, he returned to Fort Wayne in 1931 as assistant secretary in underwriting and served subsequently as underwriting secretary, assistant manager of agencies until 1935, when he became second vice president and manager of agencies, vice president and manager of agencies, and finally, in 1950, vice president and director of agencies.

Tragedy befell him in 1946 when it appeared he would lose the sight of both eyes. Vision in one eye was nonexistent, and the other eye was rapidly deteriorating. The only hope lay in getting a cornea from another person. Cross went to New York in October of that year and consulted Dr. Ramon Castroviejo, a Spanish immigrant who at forty-two had become one of the world's most prominent eye surgeons.

An unknown Fort Wayne citizen offered the cornea which was transplanted in November. Ten days later the patient could see faint outlines of hospital attendants. The operation, at least in one eye, was a success. Sight in the other eye was eventually lost, however, when an operation the following year proved fruitless.

In spite of this handicap Cross has continued his work in the Company's agency department, where he has served as the chief agency officer since 1947. The Lincoln's representatives know him as a tireless worker, a man who frequently takes views opposite theirs merely to draw out their true feelings. They also know him as a man of tried integrity whose word is unquestionable.

Early Salesmanship Bulletins

In addition to frequent sales contests for its field representatives to keep them stirred to action, the Company has used many written sales messages in weekly and monthly bulletins. Usually prepared by the president or vice president in charge of agents, these letters were designed to bring before the agents' attention inspiring thoughts of help to them in their daily activities. The first to appear, in mimeographed form, and distributed on November 16, 1916, was the "Lincoln Life Salesmanship Bulletin No. 1," by Arthur Hall, then the first vice president. Recognizing man's tendency to procrastinate, it related "The Fable of the Last Day," opening with this printed portion at the top of the message:

Help Us To Help You

"Issued every little while by The Lincoln National Life Insurance Company, Fort Wayne, Indiana, for the help and inspiration of its field men. Many heads are better than one. No one of us is ever so wise that he cannot profit by the experience of others. Use the enclosed postal to submit your selling problems and field experiences. You can thus help us to help you and others."

Coast To Coast Telephone Broadcast

Another experiment in making contact with the field forces, most of whom were widely scattered over the country, was an unusual telephone broadcast from the Fort Wayne office. Early on the morning of May 11, 1934, field men in the larger agencies from Pennsylvania to California gathered to hear Arthur Hall and A. L. Dern explain the Company's business conditions. Because the broadcast was also the start of a special one-day drive in honor of President Hall, the speeches were timed to be received early in the morning, giving each agency the advantage of an early start on a full day in which to accomplish the goals. Company officers later reported new insurance of more than \$2,750,000 written in the drive, the greatest single day's business in the history of The Lincoln.

LINCOLN LIFE

SALESMANSHIP BULLETIN

HELP US TO HELP YOU.

Issued every little while by The Lincoln National Life Insurance Co., Fort Wayne, Indiana, for the help and inspiration of its field men. Many heads are better than one. No one of us is ever so wise that he cannot profit by the experience of others. Use the enclosed postal to submit your selling problems and field experiences. You can thus help us to help you and others.

THE FABLE OF THE LAST DAY.

ONCE UPON A TIME, There was a Man who had been Bit Hard and Deep by the Procrastination bug. He never did Anything today that he could Put off till Tomorrow.

He would say, "There's plenty of Time. There's no Need being in a Sweat because Rome wasn't built in a Day."

He evidently Overlooked the simple, but important fact, that it wasn't One man's business to build Rome.

When this Man was Approached by a LINCOLN LIFE agent he simply Shrugged his shoulders and Said, "There's plenty of Time for that. I can Wait a good many Years -- and think of all the Premiums I will save. And anyway, I don't NEED it now."

To hear him Tell about it, you would Think that this Man with the Tomorrow Fever took Fate by the hand and Went for a stroll Every evening.

At least Once each twenty-four hours he would Stand before a Mirror and marvel at his Splendid appearance. He took care of Today's pleasures as though Joy would always be on the Job he worked at. And when it Came to providing for Tomorrow, he was like the Man with a Leaky Roof, who couldn't Repair it when it rained and didn't Need it repaired when it didn't Rain.

One day, as this Paragon of Indolent Wisdom gazed into the mirror, he Wised up to the fact that his face Was a little drawn, and that some of the Old time Blush of Youth had got rubbed off. The tell-tale Marks began to Multiply -- and the Man who didn't care for Tomorrow finally thought that his Looks and his Feelings warranted a visit to the Physician.

The old Doc was a friend of his, and so he Slipped him the Truth. The Wise Guy had never before worried about Tomorrow, but his Disposition had received a number of Physical Kinks. So he thought it was about Time to shield himself with a LINCOLN LIFE POLICY; he felt he NEEDED it.

He spruced up, and went Prancing into the Office and said, "Well, boys. your Arguments have finally convinced Me."

But the Examining Physician was not convinced, and the Application came back like a Boomerang.

A few months later, the friend of the Man-Who-Was-In-No-Hurry rode along leisurely in a Sombre procession, and they Remarked about the Fellow's fine qualities. But the widow Saw that she faced a Life of Plain Sewing and Plainer Food.

MORAL: There's always a Last Day to everything; and when it Comes it's Too Late for insurance, because you Can't get it when you NEED it.

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The Lincoln Enters Hawaii And The Philippines

By 1936 The Lincoln was casting its eyes abroad to foreign markets and in that year entered the Hawaiian Islands and the Philippines through the firm of Theo. H. Davies & Company, Limited. For many years this firm had been sugar factors, merchants, commission agents, and insurance brokers in the islands, and it was not long before a substantial agency force was built in both territories.

The volume of business produced by the Philippine agency increased steadily from 1936 until the beginning of World War II, at which time the Company had over \$3 million of insurance in force in that territory on approximately 1,500 policy-owners, over two-thirds of whom were natives of the Islands. Normal relations between the agency and the home office were conducted through surface mail, with an occasional use of air mail facilities. Because of the distance of some 9,800 air miles from the Fort Wayne office, the agents in Manila normally bound the Company to accept applications for insurance before formal approval could be obtained from Indiana. This placed a heavy responsibility on the Manila office for the correctness of its records as well as their safekeeping. At the outbreak of hostilities in 1941, the home office had not received duplicates of many applications for the immediately preceding period, and to this extent the records of the agency had to be the records of the home office.

When war appeared imminent in 1941, early in November of that year the Company sent instructions to the Manila office to place war clauses on all policies issued from the date of the letter. The instructions were sent by surface mail and never reached their destination. However, on their own initiative, fortunately, the Manila agents ceased writing business on military personnel as soon as war broke out, and continued to insure civilians only until about December 31, 1941, when the agency ceased functioning.

The war caused a complete break in Company communications between the two areas, of course, and for several years only

about 20% of the Philippine business was in force. That much was kept current through payment of premiums in the United States by relatives or employers of policyowners.³⁴

With the closing of the Manila office, the agency heads were confronted by the necessity of finding a safe hiding place for their business records. On the one hand these records must be preserved for reinstatement when the war should end, on the other, they must be kept from the hands of the Japanese invaders who might confiscate them and attempt to collect fraudulently premiums for their own use.

The ironical story of what happened was related to the writer in 1953 by E. L. Shinnick, assistant secretary in the home office, who was sent to Manila shortly after World War II ended to put the Company's affairs in order and help resume normal business operations.

"It was finally decided that they would bale the records and entrust them to one Gus Laurent, an employee who happened to be a Swiss National and who, therefore, was not likely to be interned. After studying the situation, Laurent decided it would be better to get the records out of Manila. So he took them to San Pablo, a provincial capital about sixty-five miles southeast of Manila. There he stored them in the back room of the residence of another Swiss National, who, as manager of a prosperous copra plantation and oil mill, had good and proper facilities for such storage and safekeeping.

"The records remained there during the war, but with the return of the American forces, San Pablo became a battle center, and both Laurent and his friend found it expedient to take to the hills until hostilities ceased. This they did, and on their return they were delighted to find their house had escaped damage, fully expecting to find The Lincoln's records intact.

³⁴"A Statement to Our Stockholders," Company publication, February 6, 1946, p. 5.

"What they soon learned, however, was that the American forces had commandeered the house for head-quarter purposes. Needing all available space, the Americans had taken it on themselves to burn what they later explained was some rubbish they found in one of the back rooms. Unfortunately, the rubbish happened to be the irreplaceable records of the Company's Philippine business for the period November 16, 1941, to December 31, 1941.

"Fortunately, the fire didn't do a complete job, however, and the custodians were able to salvage a few envelopes whose contents were extremely valuable in determining the specific liabilities incurred on the Company's behalf during the last forty-five days of 1941. Also found was a complete alphabetical index file which enabled Company officials to communicate eventually with nearly all of the pre-war policy-owners in the Philippines."³⁵

Just prior to Manila's being declared an open city, some of the policyowners had paid their premiums in advance for several years to the Company's agency. Unfortunately, many of the records supporting these advanced payments were among those burned at San Pablo, but the Company took all means possible to restore the contracts. Bank deposit records were checked, notices requesting the location of former policy-owners were inserted in newspapers, and finally, the former cashier's memory was relied on heavily in helping to fill the gaps. Of the original group of approximately 1,500 policy-owners, only about 300 eventually were able to, or chose to, reinstate their policies.

The Agency In 1955

In 1955 the Company was licensed in forty-six states, the District of Columbia, Hawaii, Puerto Rico, Canal Zone, and the Philippine Republic. Its more than 2,000 agents worked through

³⁵Memorandum from E. L. Shinnick to the author, August, 1953.

the offices of more than 125 general agents, and there were 42 branch offices authorized to collect premiums. Attracted by the type of service the Company could render, the agents had come, as we have illustrated, from all walks of life, from all territories and regions, and even from eleven former life insurance companies acquired through reinsurance by The Lincoln from 1914 to 1951.

The details of these reinsurance transactions, as related in the next chapter, reveal a significant phase of the Company's history, for the molding of their many diverse teams into a homogeneous organization has produced results of which all Lincoln Lifers may be justly proud.

CHAPTER 7

GROWTH BY ANNEXATION: REINSURANCE EN BLOC

Since its beginning The Lincoln has absorbed through reinsurance the assets of over a dozen companies scattered from Michigan and Iowa to Pennsylvania and Texas. Indeed, its first such reinsurance transaction occurred in 1905 when, as was mentioned earlier, it assumed the obligations outstanding of The Fraternal Assurance Society of America. It has continued to the present to acquire companies, both solvent and insolvent, and its purchase in 1951 of The Reliance Life Insurance Company with its \$1 billion of insurance constituted the largest such transaction in the history of life insurance.

The "assets" of these transactions often included the brains and skill of top salesmen and outstanding executives--gains of far more value than the bonds and mortgages listed in the reports. Moreover, one of the incentives to buying other companies has been to acquire efficient agency organizations which were well entrenched in areas complementary to The Lincoln's scope of operations.

Two types of reinsurance exist--assumption reinsurance (or reinsurance "en bloc") and indemnity reinsurance. The former is the transfer of a block of life insurance policies issued in the past by one company, which wishes to terminate its obligations on those policies, to another company, which continues in business. When a life insurance company goes out of existence, voluntarily or otherwise, the law requires it to transfer its policies to another company through the medium of reinsurance. If the discontinuing company is solvent, it sells its assets and liabilities to the purchaser, and the policyowners make their premium payments to the new concern without any loss or change in their policy cash values. There is no change in cash values in such a case because there are sufficient assets involved in the sale to protect policyowners' interests. If on the other hand, the discontinuing company is insolvent and has insufficient assets relative to its policyowners' contracts, the purchaser acquires what assets are available and imposes a lien on the cash values for the

difference. Thus, a policyowner of an insolvent company may not be able to borrow his policy's full cash value until the lien has been removed. This status may exist for several months or several years, depending on the degree of asset impairment. When the purchased assets and liabilities have improved in the hands of the buyer, so that the policyowners' cash values may be fully restored, the lien is no longer necessary and is set aside.

The other type of reinsurance, indemnity, in which The Lincoln has also been active, is concerned with the sharing among two or more companies of "jumbo" risks involving a large amount of life insurance on one life. Indemnity reinsurance will be discussed in Chapter 9.

Following is a list of the companies reinsured by The Lincoln, in part or in whole, with the amount of insurance in force at the time of the transfer.

<u>Date</u>	<u>Company</u> ¹	<u>Amount</u> <u>of Insurance</u>
1914	Michigan State Life*	\$ 8 million
1917	Pioneer Life*	19
1928	Merchants' Life*	79
1929	Globe Life	4
1929	American Life (Reinsurance Business Only)	39
1931	Security Life (Reinsurance Business Only)	46
1933	Northern States Life*	42
1933	Old Line Life	28
1933	Royal Union Life*	124
1933	Union National	11
1940	American National (Business in Puerto Rico & Hawaii Only)	7
1951	Reliance Life*	1,000

¹A few details pertaining to each company designated by an asterisk follow in the remainder of this chapter. The amount of insurance given for The Union National is not known, but a letter to the author dated May 2, 1955, from Henry Rood, vice president and actuary of The Lincoln, stated that The Union National had \$11,878,671 of ordinary life insurance in force at the time that company was placed in receivership.

Scenes in the drama of finance are shown in the following selected accounts drawn from Company history where one sees The Lincoln growing toward gianthood.

1914: The Michigan State Life

An interesting transaction by which The Lincoln almost doubled its size overnight was completed in 1914 with the purchase of The Michigan State Life Insurance Company, a solvent business with about \$8 million of insurance in force. At that time The Lincoln itself had only \$11 million on its books. (It may be recalled that The Michigan State was the company from which Franklin Mead had come to The Lincoln in 1911; accordingly, he knew much about the good character of the business.)

When the question of reinsuring the Detroit company's business outstanding arose, it was discovered there was no Michigan law bearing on such a situation. Although a law did exist with respect to insolvent insurance corporations (requiring a two-thirds vote of the stockholders), there was no ruling setting forth the manner in which a solvent company could cease business. Therefore, it was necessary for the Michigan Attorney General to interpret the rights of the parties. Arthur Hall had thought simple control of the company obtained by holding 70 per cent of its stock would be sufficient to dissolve it, but the Attorney General held that no such corporation could be purchased unless there were a 100 per cent stock vote to do so. The deal was therefore held up until The Lincoln could acquire all the outstanding stock, and this proved no easy task.

Powerful political interests in Michigan were determined that the company should not be moved from that state. They secured a pool of the remaining 30 per cent of the stock in a five-year voting agreement and would not sell. Therefore, Hall decided to continue operating The Michigan State as a separate company until he could secure the remaining 30 per cent. Establishing legal residence in Detroit, Hall lived there five days a week for fifteen months before this was accomplished. After investigating the financial strength of Hall and his associates,

the representatives of the pool finally consented to put a price of \$90,000 on their stock, believing this to be a price far beyond the ability of the purchasers to pay. While the purchase price for 70 per cent of the stock had been about \$100 per share, those holding out with the 30 per cent were asking over \$200 for theirs! The manner in which the money was raised was so simple as to be amusing.

An insurance magazine relates it thus:

"In the fifteen months Mr. Hall had managed the company he had increased its surplus from a little over \$100,000 to \$146,000. When the proposition was made to pay the voting trust \$90,000, Mr. Hall did a bit of whirlwind thinking and then went to the National Bank of Commerce of Detroit and to the office of President Joy.

"I want to borrow a hundred thousand dollars next Thursday for just thirty minutes," he announced.

"Very interesting, indeed," replied President Joy, "but why do you wish to keep it for so long a time?"

"Mr. Hall explained, and got the money at the necessary time. From the bank he went immediately to the room in which the stockholders of The Michigan State were in session. The holders of the 'opposition stock' were paid in cash--\$90,000--and asked to sign over their shares at once. This they did, and The Michigan State, lock, stock, and barrel, became the property of Mr. Hall and his associates. Without further ado, a cash dividend of \$100,000 was declared out of The Michigan State's surplus funds, and President Joy had his loan returned to him within the specified thirty minutes. In due season, the business of the Detroit Company, amounting to some eight million dollars, was reinsured in The Lincoln Life and has renewed from year to year with phenomenal persistency.²"

²American Insurance Digest, September 3, 1921, p. 4.

1917: The Pioneer Life

By 1917 the Company had \$31 million on its books, and its acquisition of The Pioneer Life Insurance Company of Fargo, North Dakota, in this year added \$19 million more. This was a bold venture, but the merger gave impetus to the further growth of The Lincoln at that time. Having one of the best agency organizations in North and South Dakota and Minnesota in 1917, The Pioneer was producing more business in that area than many of the large eastern companies which had been licensed in those states for many years. However, again the deal was not made without difficulty. The American Insurance Digest gives this colorful account of the behind-the-scenes activities:

"Following negotiations lasting for many months, Mr. Hall finally obtained control of 67 per cent of The Pioneer stock. But the remaining shares were in the hands of men of considerable political power who opposed the reinsurance deal. They immediately took steps to block it, knowing that it could not be consummated until approved by a Commission consisting of the Governor, the Attorney General, and the Insurance Commissioner.

"The stage was 'all set' when Mr. Hall finally appeared before the committee of state officials. The hearing began promptly at 10 o'clock in the morning, with the announcement of the Attorney General that he was opposed to the merger. The Governor agreed with the Attorney General and both seemed inclined to bring the hearing to an end. But Mr. Hall was unwilling to accept defeat without further debate. Instead of withdrawing an inch, he launched a mighty offensive that was designed to sweep aside all verbal barriers. After seven hours, without interruption and without luncheon, the Commission unanimously approved the reinsurance.

"It was that night, after the deal had been sanctioned officially, that the Attorney General said of

Mr. Hall that he 'could make the people of Louisiana vote a bond issue for irrigation purposes.'"³

This purchase gave The Lincoln an additional agency organization. Since The Pioneer's sales forces were built upon special selling devices, which were at variance with those of The Lincoln, it was decided to maintain the two as separate units. The Lincoln's Fort Wayne agency was the usual orthodox operation with general agents and soliciting agents for securing business by the usual (at that time) strong arm and sturdy legs method. With agency leadership and agency planning, it was a solid organization.

After the purchase, The Pioneer's former agents were supervised from Minneapolis, the general agency there referred to as The Lincoln's northwest department. Known in those days as a bank agency force, the northwest organization secured business through small town bankers spread over North Dakota, South Dakota, Montana, and Minnesota. Over these was imposed a layer of special salesmen who went to the small towns and worked with the banker agents. The banker spotted the individual with money who should have insurance, and the special salesmen sold the business. A note was taken for the first premium, which the banker agent discounted and collected. The plan worked properly and ethically. The business was good, was well sold, and renewed satisfactorily. The plan continued to function until the agricultural depression of the thirties. At that time the bank agency plant was entirely wiped out with the hundreds of bank failures which occurred in that farm area.⁴

Out of The Pioneer the Company again acquired some valuable executive talent in the persons of A. L. Dern, of whom we have previously read, Wright Scott, originally manager of the office in Fargo and later a prominent general agent in Minneapolis, and T. D. Hughes, who became a vice president and manager of The Lincoln's northwest department.

³Ibid., p. 124.

⁴McAndless files.

1928: The Merchants Life

Eleven years passed before another company was acquired, this time The Merchants Life Insurance Company of Des Moines, Iowa. Organized in 1894, The Merchants Life was a sound legal reserve company with about \$78 million of life insurance in force. This, when added to The Lincoln's business at the end of 1928, swelled the total to \$659 million. The Lincoln was on its way toward being a billion dollar company!

The Merchants Life had been owned principally by its president, William A. Watts, who, according to The Emancipator, had decided to move his family to California and dispose of his holdings in that company.⁵ Watts became a vice president of The Lincoln and was in charge of its California investments. Hall bought the stock of The Merchants from Watts after selling additional Lincoln National stock to finance the purchase. Later, when all the legal requirements were met and permission was obtained from the Insurance Commissioners of Iowa and Indiana, The Merchants Life was reinsured by The Lincoln and the business moved to Fort Wayne.

McAndless summarized the matter in a speech at the Achduth Vesholom Temple in Fort Wayne, April 17, 1952:

"This was an interesting transaction because of the speed with which it was accomplished and how it developed. For several years I had known the President, Mr. Watts, and his son-in-law, Mr. Norton. On many occasions Mr. Norton had said to me that he was going to some day come over and put a block of business in my pocket. He kept it so mysterious that I always believed it was a neighboring company in Des Moines that was a competitor of ours for reinsurance.

"One day he called me on the telephone and requested that I meet him in Chicago. There he told me that he thought he had me off the track completely but

⁵The Emancipator, November, 1928, p. 247.

that he had been talking about his own company all the time and could Mr. Watts come to Fort Wayne sometime next week and talk about selling it out to us. How well I remember how Mr. Watts arrived in Fort Wayne, with a little hand satchel, and walked over to the office. He went into conference with Mr. Foster, Mr. Hall and Mr. Mead. I was a cub in the Lincoln organization and did not participate in the discussion but after about three hours Mr. Watts left with an agreement that The Lincoln would purchase The Merchants for \$2 million. The stock of The Merchants was in a voting trust in Grand Rapids, Michigan. Mr. Watts went to Grand Rapids, and in about three days returned to Fort Wayne to tell us that the deal was consummated. We proceeded by the sale of Lincoln Life stock to raise \$2 million to purchase The Merchants.

"This was the interesting thing about this transaction. I have often wondered why Mr. Watts wanted to sell out the Merchants Life. He had been a small-town banker in Michigan for many years before he went to Des Moines and apparently he had lived through the depression of 1893. The Agricultural depression which took this country in 1921 was beginning to make its grip felt on things in Iowa, Missouri and the Dakotas. The Merchants had many farm loans in this area, and I have always felt that Mr. Watts had sort of sensed that something similar to what happened to the country in 1893 was again going to overtake agriculture. He concluded that it was a good time to cash in on his enterprise, which had been quite successful. It was true that we later had considerable trouble with the mortgage investments of the company, but they were all on fine lands, and ultimately, if we had held on, we would have come out with a very substantial profit. Unfortunately we sold out, and unfortunately Mr. Watts invested the proceeds of his life work in a gold mine in the West and lost his entire fortune."⁶

⁶McAndless files.

1933: The Northern States Life

This was The Lincoln's first reinsurance of an insolvent company. During the early 1930's The Northern States was placed in receivership because of the poor condition of its assets. An Indiana company, it was located in Hammond and was hard hit by the depression which particularly made its force felt in Northwest Indiana. The company's principal assets were largely concentrated in such industrial areas as Whiting, Hammond, Indiana Harbor, and East Chicago.

Because of the impairment of The Northern States' assets, The Lincoln placed a lien of 60% on the reserve of the business purchased. Later this security was found to be too small, and the lien had to be increased 12% in 1936 and again 35% in 1937. It soon became apparent that The Northern States' assets were not going to improve sufficiently, so, to protect its policies against full and complete loss of the reserve funds, The Lincoln rewrote most of the contracts at a modest cost to the owners with the liens removed. Those policies that remained with liens attached, however, were finally restored with full values thirteen years later in 1946.

Other principal features of the reinsurance contract were: (1) The Northern States' office in Hammond was to continue in operation for at least one year; (2) The Lincoln National was to place assets of The Northern States in trust for the benefit of its policyowners; (3) a trustee was to be appointed by the court to supervise The Lincoln's administration of the Hammond company; (4) all profits derived from The Northern States' business during the next fifteen years were to belong to The Northern States' policyowners.⁷

For the relatively small amount of business--\$42 million--it was a soul-trying and bruising experience. It was worthwhile, however, as a venture which enabled The Lincoln to negotiate successfully in acquiring the business of The Royal Union Life Insurance Company the same year.

⁷The Spectator, March 30, 1933.

1933: The Royal Union Life

One of the oldest companies in the West, The Royal Union Life had been in trouble since early summer of 1933. Suffering from poor central management, it became insolvent and was finally placed in receivership in November of this year. However, it had an efficient producing organization, composed of experienced and outstanding agents, who organized a committee and undertook to mutualize the company. This proposal was rejected, nevertheless, by Federal Judge Charles A. Dewey November 22 on the grounds it could not be done under Iowa law. The court made its ultimate decision to award the business to The Lincoln after carefully weighing the provisions of ten different proposals, submitted by ten different bidders. Its finding stated: "The proposal of The Lincoln National Life is the best contract obtainable and best protects the interests of the policyowners of any of the reinsurance contracts submitted."⁸

The Lincoln, of course, was pleased to receive the recommendation of the court, particularly because in considering the terms of the various proposals, the Court also took into consideration the reputation, management, and standing of the company to which the interests of the policyowners were to be entrusted.

The Royal Union's \$124 million of life insurance was acquired subject to the terms of a management contract. This contract provided that for a period of fifteen years all net profits from the business and from the liquidation of assets of The Royal Union would accrue to the benefit of its policyowners or be applied to reduce the liens which had been placed against these policies because of a severe impairment of reserves. At the end of 1948 the management contract expired, and the insurance remaining in force was merged with The Lincoln's regular business.

This was a good transaction for The Lincoln in the period in which it was consummated. It brought the Company an excellent agency organization and it kept the home office people busy when business in force was declining. President McAndless commented

⁸The Emancipator, December, 1933, p. 185.

in a written memorandum to the writer in September, 1953:

"Looking back over this trying period of the 1930's, we have always felt that the Royal Union was one of the most admirably handled insolvent company situations. The federal court was intelligent and honest and insulated from political pressures. The receiver was honest and able. The attorney for the receiver fully understood the problems involved. The expenses of receivership were modest considering the value of the assets involved. If we could always deal with these insolvent situations in a climate as favorable as that which existed in the Federal District Court of Des Moines, Iowa, under such a giant of the law as Judge Dewey, we would not be reluctant to enter into such ventures again."

1951: The Reliance Life

The acquisition of The Reliance Life Insurance Company of Pittsburgh by The Lincoln was, as has been indicated, the largest transaction of its kind in the history of life insurance in America. The Reliance's more than \$1 billion of life insurance was bought for \$27,500,000. Negotiations begun during July, 1951, culminated in the purchase of more than 95% of the capital stock of The Reliance on October 16 of that year. By the end of March in the following year every share of Reliance Stock had been acquired. This gave The Lincoln 100% ownership of a fine company with a proud record of achievement crowning its history of almost fifty years, an account of which may be read in Appendix D. The reinsurance agreement was formally approved on December 15, 1952, by the Insurance Commissioners of Pennsylvania and Indiana, and the merger was effected shortly after on January 1, 1953.

The Union Trust Company, a state bank holding the majority capital stock of The Reliance Life in 1946, merged with the Mellon National Bank of Pittsburgh in that year to form a new concern, the Mellon National Bank and Trust Company. Since the National Banking Act of 1930 prohibited the holding of such

stock by a national bank, the U. S. controller of the Currency directed the Mellon concern in 1946 to divest itself of The Reliance's ownership by 1951, later extended for another five years to 1956. At that time the Mellon interests held 53% of the stock.

During the first five-year period various plans for disposition of the stock were explored. Mutualization was considered and found inadvisable. The sale of the stock to private investors was not regarded as being in the best interests of Reliance policyowners and personnel. The final choice was to place the ownership in the hands of another life insurance company with an excellent reputation for management. The Bank felt that the purchaser of The Reliance should not only have broad experience in operating an insurance company but should possess a high degree of trusteeship in dealing with policyowners, employees, and agents.

The Lincoln was for several reasons interested in buying The Reliance. In the first place, the purchase would increase The Lincoln's size and enhance its prestige. Secondly, and concomitantly, it would enlarge The Lincoln's future earning power both from the business purchased and the new business produced by Reliance agents. In the third place, it would give The Lincoln a better balance between direct and reinsurance business since virtually all of The Reliance's business was written directly through its agents. In 1950 The Reliance issued more direct business through its agents in eleven states, largely in the South, than did The Lincoln. Fourthly, it would furnish The Lincoln with a trained staff for the sale and administration of personal accident and health insurance, a line The Lincoln had considered entering for some time. While it already offered group accident and health insurance, The Lincoln had for some time considered going further into the personal field, considering that to do so would strengthen its competitive position in the reinsurance market. Its reinsurance competitors had featured such protection as a sales argument for companies to place their reinsurance with them. Also it was felt The Lincoln could render greater service to its group accident and health policyowners by offering them the opportunity to convert their group certificates to individual contracts when terminating employment in an insured group. In

addition to all these reasons, The Lincoln recognized that the object of its negotiations was a 50-year-old reputable enterprise strongly entrenched in the Southeast where The Lincoln National had few agents. This was perhaps one of the most important considerations of all.

The Reliance was in an excellent financial condition with over \$15 million of combined capital, surplus, and contingency reserves, with an additional \$6 million of voluntary special reserves. Behind its \$1 billion of insurance stood over \$300 million of assets, soundly acquired with emphasis on minimum capital losses rather than yield or capital gains.

Over twenty per cent of The Reliance's 650 employees had more than twenty-five years of service with the company, that ranked 34th in size among the more than 600 life insurance companies in the United States in 1951. Located in thirty-five branches in twenty-five states, its more than 700 agents were preparing to celebrate their company's arrival at the billion dollar mark when that figure was reached at the end of the "Go For a Billion" Contest during President's Month, August, 1951. The Reliance Bulletin hailing this significant achievement--an ambitious goal for any life insurance company in its first fifty years--also reproduced President John Mayer's announcement and explanation of the background of the sale.

The manner in which Reliance agents first heard of the negotiations was not planned by officials of either company. Arrangements had been made to release the news to the press early in September, 1951, simultaneously with the announcement to the company's general agents. Since in any merger there are human elements to be brought together and harmonized, a special meeting for the general agents had been scheduled at the home office in Pittsburgh to permit them to meet the officials of The Lincoln. But frequently the best plans go awry. Unfortunately, a leak developed late in August, and, in order to protect the stockholders, a letter was mailed them with the announcement that it would be advantageous for them to retain their stock. Open rumors followed this letter, and it then became desirable to make a public announcement to protect all interested parties.

This was done about a week before the special meeting. Consequently, many Reliance agents first heard their company had been sold through comments made by friends who had seen the news on brokers' ticker tapes.

In spite of all this confusion, the special meeting in Pittsburgh produced good results. Sessions were held for several days, and all in attendance were given an opportunity to get acquainted with The Lincoln's top officers and received the assurance that their agency positions would be maintained. It was also announced that the Pittsburgh company would be continued as a separate organization for the time being. The three agency officers--Glenn Lamar, R. C. O'Connor, and Jack E. Rawles--visited all of the agencies in the field immediately, again reassuring them that their agency contracts would be fully protected.

During the next ten months it became increasingly apparent that it would be difficult to continue The Reliance as a separate organization. Some of the key men in the home office left because they felt there was no opportunity for them. The agents found their competitors using against them the fact that The Reliance was owned by another company. It was also difficult for agency heads to hire new agents, for competing general agents would remark that the days of The Reliance perhaps were numbered.

At Reliance agency meetings held at Atlantic City, Sun Valley, and the Homestead in the summer of 1952, a number of agents approached The Lincoln's officers with the suggestion that it would be well to merge the businesses at the earliest possible date. Consequently, the decision was made to transfer the agency force to The Lincoln on November 1 of that year with the complete merger to follow two months later on January 1, 1953.

The transition of the agency force to The Lincoln was effected smoothly and with little loss in manpower. This is perhaps one of the most remarkable factors in the whole operation. Life insurance agents, when disturbed by a change in ownership or as a result of a reinsurance arrangement, frequently receive offers to change companies, and many take those offers. The fact that The Lincoln attracted and held the agents of The Reliance was particularly

important since the efficient agency force was one of the most valuable assets acquired in the merger.

Ultimately the investment, actuarial, research, and issue departments of The Reliance were moved to Fort Wayne. In 1955 the Pittsburgh core of 300 employees, reduced from an original staff of 525, included many persons who had spent all of their working years with either The Reliance or The Lincoln. Well trained in their duties, they were not replaceable in Fort Wayne. Moreover, many of them would not have found it possible to leave Pittsburgh because of family situations. Because of this, the Company considers that it will continue to be to its best advantage to administer the old Reliance business in Pittsburgh for many years to come.

CHAPTER 8

ACCEPTING RISKS: STANDARD AND SUBSTANDARD LIFE INSURANCE

From the beginning of life insurance, the selection of risks has been an important element in establishing the business on a sound basis. All companies naturally want to insure as many people as possible and provide each applicant with an equitable cost basis. Therefore, all applicants are carefully checked to determine in which of three groups they should be placed: standard, substandard, and uninsurable. Those in the standard group can be offered insurance at standard rates; those in the substandard at increased rates to compensate the company for the additional risk assumed;¹ but those in the uninsurable group cannot, as the name would imply, be offered insurance on any basis. How then are individual applicants sorted into the appropriate categories?

In determining the appropriate classification, a company carefully checks such items as physical condition, family history, occupation, habits and other circumstances that might affect life expectancy. The agent does a certain amount of preliminary selecting when he submits the application to the company. The home office underwriter must then make the decision on the basis of as much information as can be obtained about the applicant.

The uncertainty in life insurance has been reduced to a minimum because of the competence of the research done by actuaries on the total experience of insurance companies. Thus, with nearly mathematical exactitude, prophecy of life expectancy can be made--not for the individual person but for groups. This in turn has had the effect of widening the basis on which insurance can be offered the public. In fact in 1952, 97 out of 100 applications for regular, ordinary life insurance policies were accepted--only three per cent of the applicants being uninsurable.² Around 1900, between three and four times that proportion were declined.

¹Not all companies offer substandard insurance, however.

²Life Insurance Fact Book, 1954, The Institute of Life Insurance, p. 47.

A. STANDARD RISKS: Pioneering In Lay Underwriting

The medical department of The Lincoln originated in 1905 under Dr. Calvin H. English, the Company's first medical director. In this capacity he examined applicants and passed on their applications. For almost fifteen years he continued this function, assisted by executive officers, until on February 20, 1919, The Lincoln established a department of laymen underwriters. A pioneering enterprise, this--the appraisal of applications for insurance by persons without medical training. Prior to 1919 each application had to be approved by members of the medical department, but after that date lay underwriters handled an increasingly larger percentage of cases, referring to medical directors those cases having unusual medical aspects not covered by the regular underwriting procedure. This did not mean a medical examination of the applicant was to be excluded; rather, that all the evidence was to be passed on by the layman underwriter.

Since lay approvers had broad duties and responsibilities, college training was a requisite for employment. For that reason the Company's underwriting staff has consisted largely of university graduates who showed aptitude in scientific courses. A scientific bent was thought to be consistent with the proper approach to the study and application of underwriting principles. Historically, The Lincoln has rarely employed an underwriter lacking higher education.

The original plan was to use lay approvers on the large mass of clean applications of unquestioned insurability which normally flows through a life insurance office. That plan was soon enlarged upon, however, after the satisfactory results obtained by this means were observed and mounting business forced the Company to increase its facilities for quick issuance of policies. Long before 1955 the lay underwriter had, in proportion to his experience, authority to deal with difficult cases.

Considerable expense accrues to the Company in training and developing the individual on the job since experience shows that generally an employee does not become a seasoned approver for some

five years. Accordingly it has not been the general practice to train women as underwriters since early marriage so often terminates employment before the training would be of much value to the Company. Exceptions have been made at various times, and at the present time there are two competent women underwriters in the department.

Factors Considered In Underwriting A Risk

In analyzing an application for life insurance, an approver examines the following factors. Since most of them are non-medical in nature, they would seem to justify the use of non-medical underwriters.

1. habitat (or residence)
2. occupation
3. plan of insurance requested
4. family history
5. personal history
6. drinking habits
7. build (weight in relation to height)
8. physical condition
9. moral hazard
10. aviation hazard

Other aspects considered are the age of the applicant, his financial condition, the amount of insurance requested and already owned by the applicant, and the element of insurable interest, i. e., whether the beneficiary will lose financially upon the death of the insured. The information enabling the underwriter to arrive at his decision is obtained principally from four or five sources: the applicant, in his statements made on the application form; the agent, in the agent's report; the examining physician, in the medical report; the inspection company, in the confidential report of the applicant's habits, reputation, finances, occupation, and other factors; and, if desired by the underwriter, a statement from the physician attending the applicant on the occasion of any previous illness which may have a bearing on the case.

To discuss briefly some of the components of the list above, probably the basic factor is the build of an applicant. Statistics

covering thousands of insured lives show a normal weight for each height and age group. As the weight varies from normal, mortality increases until a point is reached at which applicants cannot be taken at standard rates. To these, however, The Lincoln usually can issue substandard insurance at increased premiums for the extra risk. Extensive weight charts have been prepared for easy use by anyone handling such cases.

The factor of family history has, to a minor degree, some bearing on mortality, since generally applicants from long-lived stock will show a somewhat better death rate than those from a short-lived one. A record in the family history of deaths at the early ages from cardiovascular disease, and from tuberculosis and diabetes may be significant. The element of occupation often carries with it an extra health or accident hazard for which an extra premium may be charged. The questions of habitat or residence are concerned principally with those applicants living in tropical countries where a higher mortality may be expected because of greater incidence of disease.

The appraisal of drinking habits is a problem to the underwriter. Total abstinence is not a requirement for standard insurance, for a certain amount of social drinking does not affect mortality. But as drinking increases in amount, it is found that a definite increase in mortality results. The difficulty of rating such habits arises from the unreliability of information obtained by even trained inspectors, who must rely on observations and opinions of acquaintances and friends of the applicant. Extra premiums are levied if the underwriter feels the individual's drinking habits constitute additional risk to the Company and justify the higher charge.

Even the type of insurance asked for by a client can now, in view of statistics based on long experience, tell the Company something about his life expectancy! Applicants who apply for endowment insurance experience mortality somewhat better than the average, seeming to realize they have a good chance of living to mature their endowments. On the other hand, applicants whose attention is centered on the death benefit and who apply for term insurance show a somewhat worse mortality than the average.

However, these deviations are small and are of interest to the underwriter only as they occur in combination with some other major aspects of selection.

The question of moral hazard involves a variety of circumstances not usually included under the heading "morals." It includes questionable character, lack of insurable interest, an amount applied for in excess of that warranted by the applicant's financial condition, and other types of speculative risks. Some examples of the latter are: (1) applicants at advanced ages partially or wholly dependent on adult children named as beneficiaries; (2) applications on behalf of children seriously impaired physically; (3) married women without independent income being insured for amounts greater than their husbands own; (4) business insurance on persons when other equally valuable lives are not being insured; (5) persons beyond middle life formerly in affluent circumstances but who have incurred financial difficulties because of changing business conditions or loss of ability; (6) cases involving small amounts submitted to several companies at the same time with pressure brought for quick issuance of the policies; and (7) requests for large amounts of insurance in comparison with those carried by other people of the same class, or requiring a large percentage of applicant's income for premiums.

Company underwriters are constantly watching for tip-offs to irregularities in applications for insurance. Some of the many red flags which may indicate danger are: (1) an applicant examined in other than his home locality; (2) use of other than a Company-approved physician for the medical examination; (3) an applicant being an agent of another company; (4) an applicant declined by another company; (5) an application for insurance pending elsewhere; and (6) a requested increase over recently issued insurance. Although such conditions may occur in a perfectly normal situation, a Company underwriter would seek more information on any of these items before making his decision.

The Lincoln believes itself to be the first company actively to advertise the prompt issuance of policies. Complaints against this advertising were made by several members of The American

Life Convention, an organization of life insurance companies. The Lincoln was charged with reckless selection and with disregarding necessary safeguards. General experience has justified The Lincoln. What was then regarded as unsound is now regarded by all as proper and advantageous.

The Numerical Method

In evaluating its risks the Company uses the numerical rating method. This requires the underwriter to give a numerical score for the principal factors in the application, declining or rating up cases which have a total number of points in relation to predetermined minima. The basic rating for the average or standard risk is assumed to be 100 per cent. For each favorable factor, such as well distributed weight in relation to height, or a healthful occupation, a numerical credit is allowed. For each unfavorable factor, such as obesity, an adverse health history, or a physical impairment, a debit is charged. In finally valuing the risk the debits and credits are summed, and the result determines the premium charged the applicant. If the sum of the basic rating does not exceed 120 per cent, standard insurance is granted. If the sum is 125 per cent, the rating is given in Table A; if 150 per cent, Table B, and so on. If the total exceeds 500 per cent, the applicant is declined. This detailed analytical procedure tends to prevent flagrant errors, to eliminate individual faults of appraisal, and to result in more uniform action.

The Lincoln also was one of the first companies in this country to write insurance on individual lives without any medical examination. Nonmedical insurance had been current with Canadian companies for four years when the Company began issuing policies limited to \$2,500 and \$3,000, according to the plan requested, in February, 1925. As can be understood, The Lincoln approached this relatively untried method with caution. While single, employed women and students were eligible for the plan, married women and widows were not accepted, nor were foreign born male applicants, except those of the Anglo-Saxon race. For many years the age limits were from five to forty-five, and the non-medical privilege was granted only those agents of the Company who had produced high quality business in the past. Only applicants from favorable environments were considered.

B. SUBSTANDARD RISKS: A Mead Contribution

If you had had a slight physical impairment and tried to buy life insurance fifty years ago, you would have experienced much difficulty. Yours would have been termed a substandard life, one not entitled to insurance at standard rates. As late as 1912, when The Lincoln began to insure substandard lives, only three or four companies in the United States accepted such business.³ Once the Company established a satisfactory basis for measuring the risk, it sought the business aggressively.

To that creative executive, Franklin B. Mead, the Company owed the early opening of this new channel of business. Mead used the policyowner occupational experience of The Maccabees, his former employer, to establish the first mortality tables. The Detroit fraternal association did not select its members on a health or occupational basis, thus many were included who were not in top physical condition. Mead studied the association's records over a period of years while serving in that city as their consulting actuary. It was from his conclusions that the Company derived its rate structure for the early substandard cases.

A torrent of criticism descended on the Company as it began the new practice. The usual objection pointed out the impossibility of estimating accurately the life expectation of these substandard risks. The Lincoln reasoned the only way to find out was to use the trial-and-error method, based on Mead's research.

Along about 1920 it became general knowledge that The Lincoln was refusing to insure every 47th applicant instead of every ninth

³The Spectator, September, 1943, p. 33, reported The Fidelity Mutual Life, The Washington Life, and The New York Life had written some of this class of business under a limited program before The Lincoln entered the field. According to Franklin B. Mead in "The Progress and Development of Under-Average or Substandard Insurance in America," a talk delivered before the Eighth International Congress of Actuaries in the Guildhall, London, England, June 27, 1927, the Travelers Insurance Company began writing substandard prior to 1900 on the lien plan.

applicant, as was the case with the remainder of the industry not writing substandard lives. A large volume of substandard insurance was placed on the books, and the widening of its market brought the Company many agents from its competitors. At this point failure was freely predicted for The Lincoln by the officers of many other insurance concerns, some of them personal friends who felt truly sorry for the management of the little Fort Wayne organization. The Lincoln's mortality experience, however, remained low as it continued to profit from the new activity.

The first policy issued on a substandard basis and accepted by the insured was numbered 7220 and dated April 6, 1912. The contract was a 20-year participating endowment purchased by a railroad worker, Daniel C. Thompson. Because of his hazardous occupation, the policy was rated up to age 49 and issued for a premium based on that age instead of Thompson's insurable age 39. Interestingly enough, the insured lived to mature this contract in 1932 and bought a life annuity from the Company with the proceeds.

"Protection For The Greatest Possible Number
At The Lowest Possible Cost."--A. F. Hall

The Lincoln's philosophy on underwriting applications for insurance has been to accept, for an appropriate premium, as many as possible. Many persons applying for life insurance have one or more impairments. Although likely they will not die the following day, neither is it likely they will live as long as persons in perfect physical condition. The Company believed the physically impaired person needed protection for his dependents more than did one in good health. It believed the benefits of life insurance should not be restricted to the 100% physically fit. Instead of turning impaired risks away, then, the Company charged the insured the regular premium for the plan purchased plus an extra premium for the extra risk incurred. Fire insurance companies charge different rates on different classes of buildings, and The Lincoln felt it could do the same in the field of life insurance. Before long it was issuing all forms of substandard insurance and providing policies to fit all needs of society.

The underwriting of this business presented difficulties but it nevertheless had its compensations. No underwriting department

worthy of the name could appraise these applications day after day without improving in skill and judgment. Mistakes were made and perhaps some risks were accepted that should have been rejected, impairments being often concealed by the applicants. But the Company's staff tried not to repeat its mistakes and learned to recognize many attempts at concealment.

McAndless Takes To The Field

In the 1920's A. J. McAndless began publicizing The Lincoln's willingness to take, on a reinsurance basis, the substandard risks other companies were declining. This proved advantageous to such concerns, for their agents could then sell insurance that previously they had had to decline. In addition to widening their markets, this substandard service enabled agents to place business through their own home offices, which in turn passed the risks on to The Lincoln.

McAndless visited companies all over the country during these years and suggested they reinsure both their excess and substandard risks with the Company. In visiting he used foresight characteristic of the future executive he was to become. Instead of concentrating his social activity after hours wholly on senior executives, he devoted much time to getting acquainted with the younger men in the organizations. This proved an excellent investment, for in later years when these young men became the executives of their firms, they remembered the pleasant personality of McAndless and the services offered by the Fort Wayne firm. Out of this relationship The Lincoln increased its writings of substandard insurance to these companies and eventually served many of them with indemnity reinsurance for their large risks, the details of which are related in the following chapter.

True, many of the companies already had their excess risks reinsured with others, both American and European firms. When this was voiced as an objection to McAndless' bid for their business, his usual reply was, "Then why not keep your present reinsurance arrangements for large cases and let us provide you with substandard insurance service?" The idea caught on, and The Lincoln became a principal indemnity reinsurer.

CHAPTER 9

SPREADING RISKS: INDEMNITY REINSURANCE

Many an executive who buys insurance on his own life for twenty-five, fifty, one hundred, or several hundred thousand dollars would be surprised to learn that the company which wrote his policy had probably passed the greater part of the risk on to one or more other companies. Policies are reinsured much more frequently than the policyowner realizes, especially if the insurer is a small company.

The Need For Reinsurance

For illustrative purposes let us assume that a company with \$100,000 capital stock and \$100,000 surplus has just started in business. The surplus is for use in defraying extra expenses required to build up the company in its early years. It might also be used in paying death losses if the company should experience an unusually heavy mortality which is not covered by the mortality margins in the premiums it received from policyowners. The capital, on the other hand, must remain intact if the company is to avoid insolvency.

An agent of this newly organized company has just sent in an application for a \$100,000 life insurance policy. Now if the company were to issue a policy for the entire amount of the application and the insured should die during the first year, the entire surplus of the company would be wiped out when it paid \$100,000 to the beneficiary. Obviously, the company could not accept all of the risk but perhaps would be prudent to limit its retention to \$2,500.

If the company refused to issue the policy for the full amount, however, its decision would have an adverse effect on the agent. He would have to attempt to place the business elsewhere, at probably a lower commission, or else be unable to deliver the goods he had sold to his client.

Its Contribution

Reinsurance facilities offer a solution to this dilemma. The company could issue the entire \$100,000 on its own policy form through its own agent and at the same time bear only a small amount of the risk. In such a case the company would enter into a reinsurance contract with one or more other companies, termed the reinsurers or reinsurance companies, whereby the reinsurers would agree to reimburse the small company, termed the original or ceding company, for all or a portion of the loss which might be incurred under a particular life insurance policy. Thus, the small company would issue its own policy for \$100,000, and would have a contract with the reinsurers requiring them to reimburse it for \$97,500 in the event of the insured's death. From the standpoint of safety, there obviously are benefits all around: the policyowner is able to buy insurance in large amounts; the agent is able to place the business with his own company; the issuing company can take what otherwise would be a "jumbo" risk for its financial condition, yet retain control over the business.

Moreover, jumbo risks are not the only ones for which reinsurance is sought. Substandard risks, as we have seen, may be handled in this way as well as other risks considered undesirable for reasons known only to the companies themselves. A company's limits of retention may be as little as \$1,000 or as great as several hundred thousand dollars. The limits are usually lower for substandard cases and policies on older persons, and for at least two reasons: (1) the mortality losses from such classes tend to fluctuate irregularly, since the small number of policies issued prevents proper operation of the law of large numbers; and (2) the original company frequently cannot afford to hire specialized underwriting facilities for the small volume of substandard business they may obtain.

Facultative Or Automatic

The reinsurance agreement may provide that each case will be submitted to The Lincoln, for instance, on a facultative basis, meaning the Company will have the choice of accepting outright, rejecting, or accepting on a substandard basis the application

for reinsurance. On the other hand, if immediate coverage is desired, The Lincoln may agree to accept automatically certain classes of risks on the basis of the original company's underwriting. Considerable business is handled on an automatic basis, but many companies prefer to submit substandard business on a facultative basis.

In a facultative case the original company submits an application to The Lincoln, together with copies of the original application from the prospective insured, his medical examination form, and any other information pertaining to the case. The Lincoln then telegraphs its approval or rejection, whereupon the original company issues its own policy to the insured and collects the first premium. The latter then sends The Lincoln a reinsurance certificate in duplicate which is completed and the original returned as the reinsurance policy between the two companies. Reinsurance premiums are collected on an annual basis with billings once a month.

Originally reinsurance was handled on a permanent plan basis (such as ordinary life) instead of on the yearly renewable term plan. If the original company issued a 20-year endowment contract to one of its policyowners, it would buy ordinary life insurance from The Lincoln to reinsure all or a portion of the risk. Later it was recognized that only the mortality element of the risk need be covered, and the permanent plan basis was replaced by the yearly renewable term method. Under this latter arrangement the net amount at risk--approximately the policy's face amount less its cash value--was reinsured on a one-year term basis at a low rate. This permitted the original company to keep the policy's reserve and invest it in the customary manner, which was desirable because the company could benefit from any excess interest earnings.

The Importance Of Good Faith

These usual and customary qualities of reinsurance contracts, however, are not the most significant characteristics of the transactions. Probably the trait which transcends all others in importance is the degree of good faith in which reinsurance is conducted in this country. Not just the ordinary code of honesty is observed

among companies, but the strictest of good faith is followed in all dealings. The company offering a risk for reinsurance gives to the reinsurer all the facts and circumstances concerning the applicant's life. The original company gives not only the facts in the application papers but anything else which is within its knowledge and which might influence the decision of the reinsurer to accept or reject the risk. The reinsurer shows its good faith in return by promising that in the event of a temporary oversight in notifying it of a risk under automatic reinsurance, the original company is nevertheless covered, and the reinsurer will pay its part of the claim. Failure to exercise such good faith by either party would, of course, result in termination of the contract.

To demonstrate further the all-prevailing nature of this principle of good faith, one need only look through the citations in the law books to see that there are few cases of litigation growing out of the life reinsurance business. Moreover, it is common practice in the United States to regard all reinsurance transactions as confidential between the two or more companies involved, neither the agent nor the policyowner knowing of the arrangement.

The Lincoln Enters Reinsurance: 1917

If you can put your hands on an old publication of Best's Life Reports for 1915, 1916, or 1917 and will thumb through, you will find some interesting facts. The retention limits of the companies in those days were very small. Many well established and substantial life organizations stated they issued and retained only \$25,000 to \$50,000 on any one life. Moreover, they had no arrangements whatsoever for reinsurance, perhaps because facilities for obtaining reinsurance in that era were quite limited.

Such business as was reinsured was handled largely by an interchange of risks through pools of companies. Three or four companies would band together and agree to exchange their excess standard business. The pool arrangement led to certain difficulties, however: there was constant bickering as to what constituted a standard risk--members of the pool were unable to give each other

underwriting service, and sometimes the accusation was made that one of the pool companies was soliciting the business directly after hearing that an applicant was in the market for insurance. In spite of these difficulties, some pools have continued in satisfactory use.

Apart from these pool arrangements, the companies that were active in the reinsurance field were largely German firms. The Munich Life and The Cologne Life were the largest, the former the largest life reinsurer in the world in 1917.

In addition to the pools and these German firms, there was, immediately prior to World War I, at least one American company conducting a substantial amount of reinsurance business. Beginning in 1910 to write yearly renewable term reinsurance for many small middle-western companies, The Pittsburgh Life and Trust of Pittsburgh distinguished itself by a revolutionary practice which had a tremendous impact on the life reinsurance business in this country. Reinsurance among companies had always involved the strictest good faith, the test of which was to require that the original company retain its limit on a particular risk before reinsuring the remainder. This had long been the practice of the German companies, but The P. L. & T. broke with this procedure in assuming business no part of which had been retained by the original company. It was this practice that The Lincoln capitalized on heavily when it entered the picture later.

The Pittsburgh company had hardly exploited the possibilities of this change in procedure when the company failed in 1917 after having been in financial difficulty for several months, due to reasons other than reinsurance. In August of that year its business was taken over by The Metropolitan Life Insurance Company, whose real estate department built up by Frederick H. Ecker seemed to be the very thing to redistribute the insolvent firm's top-heavy land holdings. Simultaneous with the failure of the principal American reinsurer, came World War I which cut off the German market. This meant an absence of reinsurance facilities in this country. The business of these German companies eventually was taken over by the U. S. Property Custodian and transferred to The Metropolitan, which alleviated the situation.

Mead's Vision--McAndless' And Kalmbach's Promotions

Franklin Mead had been a close student of the reinsurance scene for some time, particularly admiring The Pittsburgh Life and Trust's advanced ideas. When it looked as if the enemy alien companies would be liquidated and the Pittsburgh company would be out of the reinsurance picture, Mead saw a good opportunity for The Lincoln to expand and help many other companies in the process. At the spring meeting, 1917, of the Medical Section of The American Life Convention, Mead, who loved the spectacular and unexpected, arose and announced that The Lincoln National was going to take the place in the reinsurance market of the German companies and The Pittsburgh Life and Trust. This was a bold and courageous venture for a small middle-western company, and the announcement created no small stir among those present. In the fulfillment of this prediction was to lie a most significant part of The Lincoln's history.

Stepping into the vacant place opportunely, the Company began to serve many of the hundreds of small companies operating throughout the Middle West in this period. Most of the young organizations had only part-time medical directors and no resident actuaries. Consequently, they cautiously took only risks without blemish, rejecting both excess and substandard risks. So the market for these two classes grew fantastically as The Lincoln began to push its reinsurance facilities.

No efforts were made in that period to sell the large companies on the service, for it was thought their larger underwriting departments were so efficient that little could probably be salvaged from their declinations. Instead, all efforts were concentrated on the small companies that were cautious and conservative in their underwriting practices. Out of this procedure came the satisfaction of knowing that the reinsurance business has helped these little institutions establish themselves, to build their agency organizations, and to become solid enterprises serving their local communities well.

As we have seen, A. J. McAndless joined The Lincoln in 1919, and much of the Company's growth in this new market is

attributable to his aggressive promotional activities during the 1920's. In this work he was materially assisted by Leland J. Kalmbach, who served with the Company from 1924 until 1947. Kalmbach made a significant contribution as The Lincoln's principal reinsurance officer for many years. In 1947 he resigned to become a vice president of the Massachusetts Mutual Life Insurance Company, and today he is president of that company.

In the late thirties the Company began to draw reinsurance business from a new source--from many of the large eastern companies which prior to that time had handled standard or only a modest amount of substandard business. However, some of them began to appreciate that they could give better service to their agents by issuing all classes of substandard risks and reinsuring them with The Lincoln. To extend this service with greatest speed, the Company initially placed underwriters in the home offices of three of its reinsurance clients.

Expansion Into Central And South America

Simultaneously to the development of the relationship with the large eastern companies in the thirties, The Lincoln reached out into the international sphere. This was mainly due to the work of an individual of Austrian extraction, Robert Ahrens, who was head of the insurance brokerage department of a New York exporting firm. An aggressive and enterprising man, Ahrens offered The Lincoln a plan to secure reinsurance from various Central and South American companies. The arrangement appealed to the Company, and a contract was drawn granting him 5% commission on all reinsurance he could secure south of the border. A distinct aid in building good will in that hemisphere has been the name of Lincoln who is almost as much revered by South Americans as their own patriot and liberator, General Bolivar. The agreement with Ahrens proved profitable, and through him the Company secured nine reinsurance contracts with Spanish American companies before he was killed in an airplane accident in 1945.

Since that time the Company has continued to operate on its own in that territory through the capable direction of Victor d'Unger, an employee in the Fort Wayne home office. Mr. d'Unger has studied thoroughly the language and customs of the area, and as a result of

his efforts the number of reinsurance contracts has increased to over thirty.

In the United States during the last decade, mortality experience was favorable, with the result that reinsurance earnings were higher than originally contemplated. In fairness to the original companies, The Lincoln felt, a portion of these unanticipated earnings should be shared by the firms reinsuring with the Company. Consequently several types of profit-sharing agreements, referred to as "experience refunds," have been made for both participating and nonparticipating life business. Also a reduction in yearly renewable term premiums has been effected and made retroactive to old policies as they were renewed.

In 1955 The Lincoln reinsures more than 450 life insurance firms in this country and many of the existing organizations in Latin and South America. While the Company is the largest life reinsurer in the United States today, it operates in a market beset with competition from both European and American companies. The Lincoln's best tool in meeting the present competition is the quality of service rendered its reinsurance clients in the past.

CHAPTER 10

THE HOME OFFICE: THE BUILDING AND SELECTED DEPARTMENTS

Visitors to the headquarters of The Lincoln at 1301 South Harrison Street in downtown Fort Wayne, Indiana, find an imposing structure covering half a city block; only with difficulty could they picture the modest quarters used at the Company's beginning. As we have seen, in 1905 manager Hall had the assistance of only one stenographer, and Company furniture consisted of a kitchen table with a few straight-backed chairs.

Today the office facilities, though not sumptuous in nature, nevertheless provide comfortable working conditions for over 1,000 employees. These offices occupying four levels are supplemented with additional space for 350 more workers at the Wayne building, some 15 blocks from the heart of the city.

Moving Day: The Plan--The Performance

The result of many weeks of intensive preparation culminated in moving the entire office equipment from the old offices on East Berry Street to the new building according to a rigid schedule. The plan called for business as usual up to Saturday, October 13, in the old building, with all departments ready for work in the new location on Monday morning. The enormity of such a task can be appreciated in recognizing that over ten thousand different items, ranging from ink wells to a three-thousand-pound safe, were tagged, moved, and properly placed in the new offices. Not a single article was lost, however, and only minor damage to equipment was reported.

After the close of business on Friday, almost all employees volunteered their services for the crating and roping of equipment, and promptly at six on Saturday morning twelve moving vans began loading. The moving was not without incident, however. At six on Saturday evening a truckload of addressograph plates was dropped in the lobby, and an unmerry time was had by all. But Monday saw the usual quota of seventy-five policies issued. The schedule had been kept.

It was not without some nostalgia that the Company viewed its transfer to new quarters, as is indicated by the message of Arthur Hall appearing in the Fort Wayne News-Sentinel October 13, 1923:

Berry Street, Good Bye!

By ARTHUR F. HALL
President

For eleven years The Lincoln National Life Insurance Company has lived on Berry street, between Clinton and Barr.

The Berry street folks have been our friends and neighbors since that crisp November morning back in 1912 when we moved into our new home.

We were proud of our new quarters then for they gave us room to expand beyond the limits of the single floor we had occupied in the Shoaff building.

We took up our abode on the third floor of our new home with the old White Fruit House occupying half of the first floor. That was way back when some of the well meaning agents of other life insurance companies referred to us as "The Little Company over the Grocery Store."

Those were the days when we had only \$8,000,000 of life insurance in force, but we were growing and have continued to grow until now we are thirty-five times as large as we were in 1912.

We will always remember the well wishes of our Berry street friends as they dropped in on us when we were arranging ourselves in their midst eleven years ago. They have been most kindly neighbors ever since, rejoicing with us in

our every advancement.

We have been happy to share with them their joys of achievement for some have gone ahead remarkably.

But now we are leaving. Our Berry street home is altogether too small to house our activities.

We will resume business Monday morning on Harrison street in our magnificent new home that has been termed "The Most Beautiful Life Insurance Building in the World."

We will have a house warming in our new quarters early in November and we want all our old friends to drop in for another call along with our scores of new friends.

Although we are moving into the most perfectly equipped life insurance building in the United States we regret leaving our good neighbors and friends on Berry street, and they can be sure we will always hold their friendship in high esteem.

*The
Lincoln National
Life Insurance
Company
Fort Wayne Indiana*

*More Than \$280,000,000
of Insurance in Force*

Choose And Choose Again

For some time prior to building on the new Harrison Street site, discussions had been vigorous among The Lincoln's executive committee members as to a suitable location for the expanding firm. Of the thirteen members of the committee, only six were Company officers, the remaining seven being businessmen in Fort Wayne. Much difference of opinion existed among these committee members, the six Company men wanting the building located on the edge of the city while the others preferred a downtown location. The Company officers reasoned that lateral expansion if necessary later could be achieved at less expense than vertical, which would require the addition of more floors to the building. Expanding horizontally was favored also for the greater ease with which large rooms could be added. It was felt that more employees could be under the charge of each superintendent if large rooms were used rather than small areas, in each of which a superintendent would be required.

Finally the six Company officers secured the support of one of the other men, and this marshalled enough votes so that the edge-of-town party could plan for the site to be a seven-acre patch of land running southward on Calhoun Street from the corner of Piqua and Calhoun. Hall then closed the deal for the land and immediately left for New York to attend a convention of life insurance presidents. While there he received this telegram from Chairman of the Board Foster:

POSTAL TELEGRAPH - COMMERCIAL CABLES	
RECEIVED AT [REDACTED]	DELIVERY NO. [REDACTED]
TELEGRAM	
The Postal Telegraph Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this slip.	

This is a Fast Day Telegram unless otherwise indicated by signal after the number of words—"N. L." (Night Lettergram) or "N. T." (Night Telegram). Form 16Db1

14NYED 117P 31
FTWAYNE INDIANA DEC 8 21
ARTHUR F HALL
CONVENTION LIFE INS PREST ASTOR HOTEL
MEMBERS OF EXECUTIVE COMMITTEE OUTSIDE THE OFFICE ALL FEEL SO
MANY MISGIVINGS AND SO MUCH HESITANCY REGARDING PURCHASE OF NEW
SITE THAT EVERYTHING HAS BEEN PUT IN ABEYANCE TILL YOUR
RETURN
SAML M FOSTER

On his return, Hall found the support of the one man with the deciding vote had reverted to the others, all of whom were now unalterably decided on a downtown location. The Company men lost their case, and The Lincoln's new edifice was placed near the central shopping district.

Although no additional floors have been added to the three first constructed, the foundation was capable of supporting fifteen stories ultimately. Since the extra cost of this foundation was approximately \$100,000 and since lateral expansion was after all found more desirable than vertical, Hall considered the selection of that site as one of the Company's most expensive errors in its history.

A New York architect, Benjamin Wistar Morris, was commissioned to design a building combining utility with simple beauty and dignity, making provision for expansion. Of steel skeleton construction on a granite base, the building is fireproofed, with exterior walls of selected limestone. A penthouse above the three stories and underlying basement now houses the Lincoln Museum and Library.

An interesting facility of the building was its own private water supply, obtained from sinking an eight-inch pipe to a depth of 400 feet. For years the Company's water was used for air conditioning purposes in preference to that of the City because of its lower temperature. Temperature in the private well was always about 40 degrees while that in the water main usually was 60 in the summertime. In 1948 use of the well water was discontinued altogether when installation of a new type of cooling equipment made it unnecessary.

In 1929 the Company received a certificate for the promotion of aeronautics signed by Charles A. Lindbergh in recognition of the Company's unique roof-markers. These were erected because of Hall's enthusiasm for aviation, which eventually led to his becoming president of the Fort Wayne Airport Commission. The two signs, mounted on steel framework three feet above the roof floor, were twelve feet high. Their letters read Lincoln Life and Fort Wayne, and a huge arrow pointed to the local airport.



HOME OFFICE BUILDING

Visible under most weather conditions, the signs were maintained until the location of the air field was changed, at which time they were removed altogether.

Designed in an "H" shape, the building faces West, providing two open courts, front and rear, the latter used for parking. The spacious forecourt provides an appropriate setting for the bronze statue of "The Youthful Lincoln." Created by Paul Manship, noted sculptor of New York and Paris, and dedicated in 1932, it depicts Abe Lincoln as a youth of twenty-one shortly before leaving the Hoosier State where he had spent fourteen of his boyhood years. The work of art is of special interest in that it portrays not Lincoln the man but Lincoln the man in the making.

The Hoosier Youth: A Study In Bronze

Provision had been made by the Company as early as 1920 for the erection of a memorial to the Rail Splitter, and in 1928 the commission, carrying a fee of \$75,000, was awarded Manship. At that time the sculptor was told to produce an outstanding creation of art which would be one of the recognized monuments of the world. Since Lincoln had spent his youth in Indiana, it was the Company's thought that the work should not be in the traditional style of the bearded man in double-breasted frockcoat but rather represent the maturity of boyhood, when his mind and personality were just becoming the man's.

With Louis A. Warren, Director of The Lincoln Foundation, Manship made a long trip through the country of Lincoln's youth. This was necessary for photography had not been developed as early as Lincoln's youth. His personal appearance could only be visualized by a careful study of the traditional and personal testimonies which have come down to us from his contemporaries. The Ohio River with its reminders of the old ferry boat days and glimpses of the Kentucky homestead of his childhood excited the sculptor's imagination, and he read many authorities of note on Lincoln. It was on this trip that Manship purchased the hound dog reproduced in the statue and took it to Paris where it was used as a living model. Manship's work has since been a source of pride to the Company.



THE MANSHIP STATUE

The statue depicts Lincoln as a lithe frontiersman, resting against a log. His clothes consist of a linsey-woolsey homemade shirt, buckskin or butternut trousers and boots--typical habiliments of his time. A closed book is held in his right hand; his left hand rests on the head of a typical hound dog of the period. An axe, symbol of his Indiana occupation of rail splitter, leans at his right. This figure group is mounted on a granite pedestal which carries four bronze medallions typifying four of his major characteristics--fortitude, patriotism, justice, and charity. The statue rises twenty-two feet and with its base of Crotch Island pinkish granite weights seventy-nine tons.

The major part of the work was done in the Paris studio of the sculptor, where he made his first model of plaster. This model was finally sent to the Compagnie des Bronzes in Brussels, Belgium, and permanently cast in bronze. Altogether the work required four years to complete. It was unveiled in Fort Wayne September 16, 1932.

At the dedication ceremonies, impressive in nature, the principal speaker was a member of President Hoover's Cabinet, Arthur M. Hyde, Secretary of Agriculture. For the occasion Franklin Mead, with his scholarly thoroughness, prepared a brochure on the bronze statues of Lincoln throughout the world. This was the first time, incidentally, that this information was brought together in a single treatise.

The Wayne Offices

In 1952, for the seventh time in its history, the Company again expanded its quarters, purchasing The Wayne Pump Company office building, warehouse and some factory space. The office building was remodeled for use by the Company's accounting and group departments, while the factory and warehouse space were leased out.

Comprised of three separate buildings, connected with enclosed passageways, this Wayne Office covers an entire city block and has over 100,000 square feet of floor space in its two stories. It rests in a small, partly secluded glen along the historic Maumee River about a mile from the congestion of downtown Fort Wayne. With modern lighting and air conditioning, the new facilities provide pleasant working space for more than 300 employees.



THE WAYNE OFFICE

The Actuarial Department

A layman, given the run of a life insurance home office and told to find out all he could about it, would very soon discover that the power behind the throne is the actuary. The term, actuary, is derived from the Roman actuarius, who recorded the acta or proceedings of the Roman Senate. The actuary of many years ago compiled the registers of births and deaths which led to the computations required in life and other forms of insurance. Gradually he became charged with the duties of performing all the statistical, mathematical, and financial calculations forming the basis of any insurance plan. Behind every life insurance company operation today lies the research and predictions of its actuarial staff. The actuary is the author of the company's plans of insurance; it is he who calculates the basis for future insurance costs which must endure over decades. He is not merely a mathematician but an analyst of the life insurance business as a whole.

The calculations of life insurance premiums is one of the most important duties of this technician. Since nonparticipating premiums may not be increased after the policies have been issued, it is vital that the actuary make an accurate estimate of all the factors affecting such premiums. These factors, including interest rates, expenses and rates of mortality, must be predicted for many years in advance, for policies are sometimes issued that will be in force for nearly a century. If the premiums are set too low on nonparticipating business, the business of the Company will prove unprofitable, and the Company may experience financial difficulties. On the other hand, if the premiums are too high, the agents will be placed in an unfavorable competitive position and it will be difficult to make sales.

After the premiums are calculated, the actuary must determine the amount of cash value for each plan offered. Too, he must determine rates for special benefits purchased with life insurance--disability income, waiver of premium, and double indemnity.

Like the British and Canadian companies, The Lincoln has actuaries in its top management. Its affairs are largely guided by men who have attained professional status, a difficult and highly prized accomplishment, as measured by the rigid qualifications set by the Actuarial Society of America and The American Institute of Actuaries.

The Investment And Mortgage Loan Departments

Of all the problems facing a life insurance company, none is more important than that of its investments. Premiums are received daily, part of which must be set aside in the form of reserves to earn a minimum of interest over the lifetime of the insurance contract. To place these funds in safe investment outlets of diversified nature is a task calling for a high degree of investment skill.

The history of the Company's investments in stocks and bonds is not particularly different from that of any life insurance company of comparable age. As with other firms, the investment officer is concerned with such characteristics as safety, diversification, yield, and liquidity. Safety is of paramount importance in life insurance investments, for the principal amount of such funds must remain intact if future obligations incurred in issuing policies are to be met. Diversification is also important and therein lies the source of strength for the operation of an insurance plan. The funds must be diversified not only as to industry and area but also as to time of maturity and type of security. Yield, although important, is not emphasized at the expense of safety and diversification. The investment officer attempts to secure a maximum yield but only commensurate with the degree of safety required. Since safety of the principal must be highly emphasized and since safety and yield usually move in opposite directions, the percentage of interest earned from investments can be expected to be low relative to what could be earned if the importance of safety were not so recognized. Liquidity, as a last element of emphasis, is necessary only to provide the cash with which to pay policy claims as they arise. Normally such cash needs may be met out of current premium income, so the principle of liquidity receives the least attention.

A plan for the systematic purchase of high grade common stocks was put in effect early in 1953. Under the program a modest but fairly constant amount is invested monthly in selections from a list of approved common stocks at prices not exceeding an approved level. The volume of such common stocks so purchased in that year slightly exceeded the volume of preferred stocks acquired.

The Lincoln, however, has differed somewhat from other life insurance companies in the pioneer role it has played in the mortgage loan picture, particularly in the developing of a purchase-lease program--the purchase of commercial and industrial real estate under lease. Under this arrangement the owner of a property sells it to the Company and enters into a long lease usually divided into a primary term and a renewal period. During the primary term the lease is noncancellable and provides for a net rental, payable monthly, of sufficient amount to completely recover the invested funds together with a satisfactory interest return to the Company. The tenant pays all real estate taxes, keeps the property insured for physical damage, and pays all maintenance costs.

After the primary period of the lease, the tenant usually expects a series of renewal options providing for substantially reduced net rentals, or an option to purchase the property at an agreed amount, or both. This is usually expected because the tenant has leased the property from the Company under terms making the arrangement a good investment in that eventually all of The Lincoln's funds will have been returned at the end of the lease. The lease is drawn to fit the needs of the tenant and gives him full control of the property with rights of sub-leasing, thereby creating a situation comparable to ownership.

Thus far under this plan The Lincoln has acquired 263 parcels in 29 states for an aggregate volume of over \$20 million. The Company regards direct ownership favorably, because it is unnecessary to reinvest the principal at frequent short intervals as with mortgages, and also the investment is simplified since the lease terms free the Company from management.

On all such property purchases the Company has placed emphasis, as previously explained, on a noncancellable lease with a fixed rental sufficient to recover its entire investment within the primary period together with a satisfactory interest return. Recently, however, it completed a different type of lease providing for a rental based on a percentage of gross sales of the tenant's business operations. With no minimum or fixed rental, the tenant agreed to operate the property with a full stock of merchandise and adequate personnel for twenty years. Something

of a departure from normal practice, this method typifies an attempt on the part of the Company to find a hedge against inflation. The rentals will increase correspondingly with higher gross sales of higher priced merchandise in the tenant's business.

The Lincoln is interested in opportunities to develop further this comparatively new field of investment under a purchase-and-lease basis. While it favors direct promotion of large business and shopping centers, The Lincoln, because of the limited scope of its real estate activities, does not intend to establish an engineering and construction department. Rather, the Company plans to stay in the field of finance and rely on the promotional efforts of others to undertake the formation of these developments. Then when a property is properly leased, the Company will be free to purchase the completed project. Emphasis will continue to be placed on modern properties, well located, with careful selection and underwriting of the credit risk.

A list of the Company's investment holdings, accompanied by corresponding percentages of the total invested, follows:

	<u>December 31, 1954</u>	
	<u>Amount</u>	<u>Percentage of Total</u>
Real estate	\$ 23,706,732	2.28
Mortgage loans	332,630,035	31.86
Collateral loans	2,348,401	.22
Policy loans	50,785,915	4.86
Bonds	538,567,363	51.59
Stocks	51,360,591	4.92
Cash and deposits	13,037,147	1.25
Interest and rents, due and accrued	6,678,612	.64
Due and deferred premiums	21,656,081	2.07
All other	<u>3,165,947</u>	<u>.31</u>
Total assets	\$1,043,936,824	100.00

The Personnel And Planning Department

The year 1920 was notable in Lincoln Life history in that, so far as is known, the Company became one of the first life insurance firms to introduce a personnel and planning department. Although the personnel phase was not unique, the planning area did set something of a precedent, which was later followed by other companies in recognizing that standardization, elimination of waste, and organization within the home office would lower office costs. A product of Franklin Mead's ingenuity, the work was claimed by Hall to have saved the Company hundreds of thousands of dollars in operating costs over the years and to have expedited its service considerably. Bringing in efficiency engineers at a time when their services were being scoffed at, the Company passed on the resultant savings largely to its employees in the form of salary increases.

CHAPTER 11

THE LINCOLN FOUNDATION

The Company did not forget the man whose name it bore-- Abraham Lincoln, who came out of the core of the heart of American life, whose nurture and growth to young manhood took place in the backwoods of Indiana--Lincoln the statesman idealist, who established certain great ideas as American ideas, and whose name is a hero's name to the whole world.

Arthur Hall especially had Lincoln always in mind and it was his interest in the Great Rail Splitter that started a chain of events which culminated in forming The Lincoln National Life Foundation in the year 1928. Hall was a member of the executive committee of the Indiana Lincoln Union, a group of patriotic citizens intent on raising a million dollars to memorialize Lincoln's mother. He and other members of the committee had read the book Lincoln's Parentage and Childhood, published by Louis A. Warren in 1926. Partly because of the interest aroused by his book, the Union directors invited Warren to lecture for their organization. He spoke on Lincoln and his parentage to groups of public spirited citizens, who were then solicited for funds by the Union. Hall and an associate were returning from such a speech at Pokagon State Park near Fort Wayne when suddenly an idea occurred to the Company president. Why not bring Warren to Fort Wayne as a member of The Lincoln's staff to create and maintain interest in Abraham Lincoln? Altruistic in motive, the project nevertheless would bring the Company much favorable publicity as well as make a substantial contribution to the archives of the great man.

Having joined the Company in February, 1928, and been told to make his own job, Warren has made an exhaustive search for every fragment of information that might throw more light on the life and works of the martyred American president. The result of this intensive and far-reaching program has brought to The Foundation's library and museum the largest collection of organized information ever gathered about a person of historical eminence, the only exception being, perhaps, Biblical characters.

Today an astonishing amount of interesting Lincoln lore can be found on the fourth floor of the Company's building. The following summary sets forth some of The Foundation's program of work and its facilities for those who would study the man who personifies our American civilization.

The Library

Starting with his own collection of Lincoln books and pamphlets, which filled six sectional bookcases in 1928, Warren has assembled a most comprehensive collection of literature arranged in five different divisions.

Lincolniana. Books and pamphlets, exclusively on Lincoln, are included here. This collection of literature, numbering 8,000 volumes of which 300 are in foreign languages, requires over 465 lineal feet of space.

Association Books. Books similar to those Lincoln read comprise this exhibit. The 225 books in this section constitute an important division of the library and assist the student in orienting himself in the atmosphere of Lincoln's day.

Collateral Publications. Biographies of Lincoln's associates, histories of the communities where he lived, reminiscences of men who knew him, and discussions on political subjects are gathered in this compilation. About 4,000 such books and pamphlets form an invaluable supplementary source library.

Periodicals. More than 3,500 magazine articles on Lincoln have been separately bound. These are indexed according to subject, author, and title of publication. Complete files of leading historical magazines which have featured Lincoln data are also available. Newspapers contemporary with Lincoln also have been properly filed and indexed.

Clippings. Over 100,000 pages of clippings filed under more than 5,000 different specified subjects relating to Lincolniana are available for reference. Sixty-eight steel filing drawers are necessary to house and systematize this mammoth scrapbook.

The Museum

Here are kept other Lincoln items of unusual interest--oil paintings, original photographs, contemporary prints, broadsides, memorial pieces in metal, and curios.

Paintings. Some of America's best known artists have made oil paintings for The Foundation depicting various human-interest episodes in Lincoln's life. Twenty-four of these original works of art are now in the Museum.

Original Photographs. A large and valuable collection of over 100 Lincoln photographs from the original negatives are displayed in an impressive chronological arrangement.

Prints. More than 6,000 different prints of Lincoln have been collected, comprising engravings, woodcuts, etchings, lithographs, and pictures made by newer reproductive processes. These prints are all catalogued and systematically displayed or filed.

Broadsides. Rare broadsides consisting of contemporary political posters, addresses, ballots, and a large number of caricatures have been assembled, totalling more than 1,500.

Metallic Lincolniana. Seventy-five busts and statuettes, eighty plaques, and over 1,200 Lincoln medals are included in this display.

The Archives

This department is especially rich in manuscripts of original writings by Abraham Lincoln and his contemporaries, and in documents relating to his ancestry, Kentucky environments, and early Indiana history.

Autograph Collections. Countless thousands of letters relating to Lincoln are on file including over 500 by people who knew him and thirty-five original writings by Lincoln himself.

Microfilm Strips. The microfilmed contents of the two largest Lincoln Manuscript Collections in the Library of Congress--The Lincoln Papers consisting of 18,350 documents and the Herndon-Weik Collection of records and reminiscences --are valuable reference sources.

Genealogy. Lists of 1,200 Hanks families and hundreds of family letters comprise the largest collection of documents ever assembled about Lincoln's maternal ancestry.

Kentucky Records. Thousands of records copied from original entries in Kentucky courthouses are available, and 1,200 original manuscripts dating back to 1780 have been assembled.

Indiana History. The Richard Thompson collection of manuscripts, comprising 1,200 items contemporary with Lincoln's day, gives a fine picture of political life in Indiana at that time.

The Duplication Department

A sales department was established when Lincoln students requested The Foundation to furnish them with copies of photographs, photostats, and out-of-print books.

Photographs. Prints from more than 1,000 negatives portraying nearly every phase of the Lincoln story are available.

Photostats. Photostatic reproduction of manuscripts in The Foundation, rare books and pamphlets where the copyright permits, and magazine articles, newspaper clippings, broadsides, and other such items are obtainable.

Books and Pamphlets. Because The Foundation is constantly acquiring small collections of books to supplement its own library, many duplicates are available for resale.

The Publications

Two publications are issued periodically by The Foundation: Lincoln Lore and The Lincoln Digest. Books and pamphlets on various Lincoln subjects also are published from time to time.

Lincoln Lore. Each week for more than twenty years The Foundation has issued a bulletin called Lincoln Lore. This bulletin contains human interest episodes in Lincoln's life and a quarterly Lincoln bibliography. This publication is available to libraries, educational institutions, and Lincoln students.

The Lincoln Digest. This is a four-page pamphlet printed at intervals, which contains condensed information about interesting phases of Lincoln's life. These leaflets are available in quantities for distribution in schools, patriotic organizations, and public assemblies.

The Bureaus

Three bureaus--research, speakers, and information--are actively engaged in directing the work of The Foundation. It is the purpose of the organization not only to gather but to disseminate Lincoln history.

Research. The Foundation is always on the alert to discover new facts relating to the life and works of Lincoln, and it greatly appreciates receiving any authentic information about his life which is not generally known.

Speakers. The Director of The Foundation each year addresses about 200 groups, reaching approximately 100,000 people. Radio addresses reach additional thousands. A pamphlet, "Addresses on Abraham Lincoln," describes this service and may be secured on request.

Information. The tremendous amount of data gathered about Lincoln has caused The Foundation to become known as the center of Lincoln information in America. It invites Lincoln inquiries.

Ten Of The Twenty-Four Paintings

Following are ten photographs of the twenty-four paintings produced especially for The Foundation and preserved in its Museum. The first six are painted in color with a brief explanation preceding each. The remaining four are in black and white.

Abraham Lincoln, The Honest Clerk

Completed in August, 1936, "Abraham Lincoln, The Honest Clerk" represented an attempt by its artist, Frederic Mizen, to visualize on canvas the most striking characteristic of the martyred president. Lincoln is represented as a clerk in a grocery store at New Salem, Illinois, in the act of weighing some produce for a customer. The scene is based on the earliest known incident which gave rise to the nickname "Honest Abe."

As the story goes, Lincoln had waited on a customer late in the evening and, on opening the store the next morning, noticed that he had placed the wrong weight on the balance scale in weighing the purchase of the day before. He is said to have shut up shop immediately and proceeded to deliver the few ounces of goods due the purchaser.

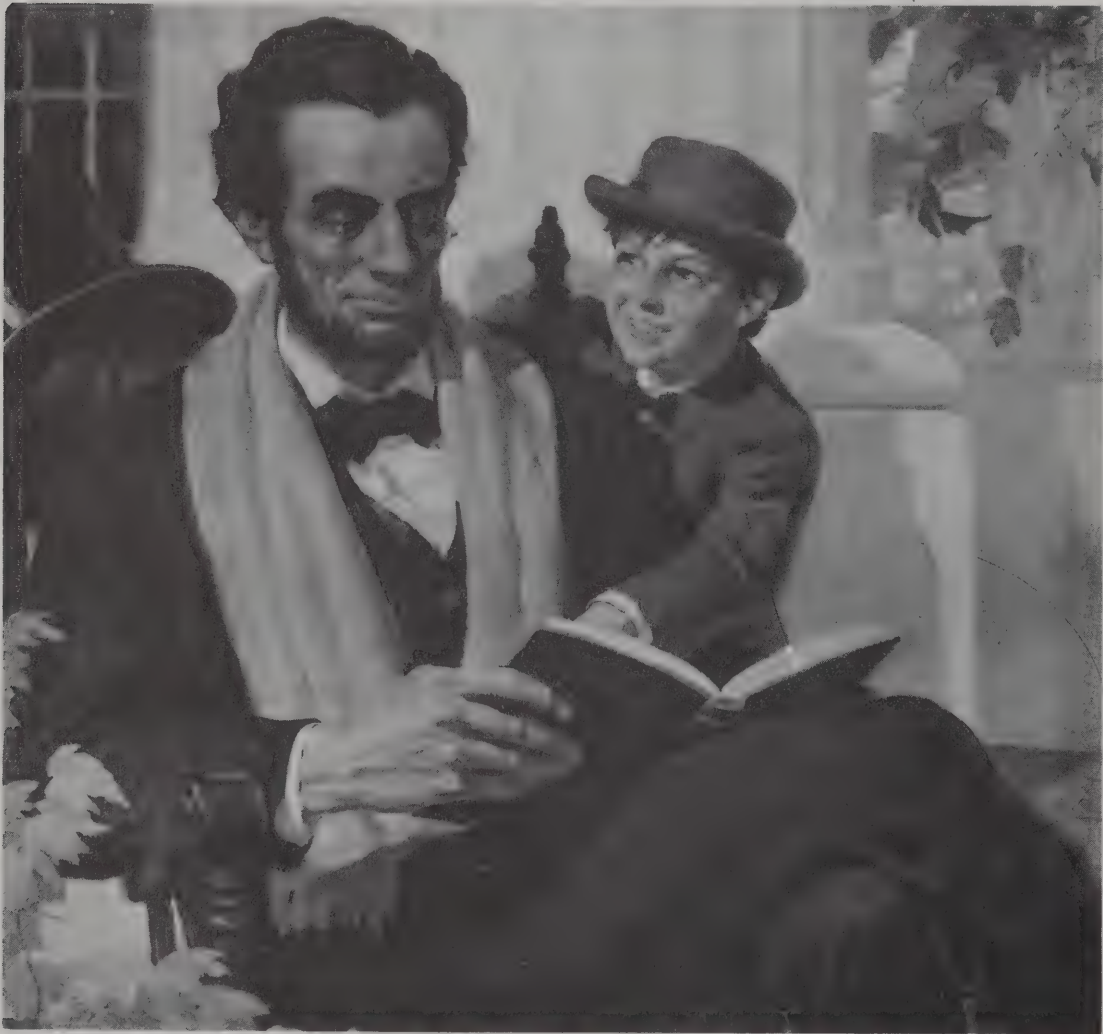
The short weight incident was closely followed by the short change experience which contributed still further to his reputation for honest dealings. Clarissa Hornbuckle is said to have purchased from Lincoln a bill of goods in October, 1831, for which she paid cash. Before closing the store that evening, he discovered he had made a mistake of $6\frac{1}{4}$ cents in figuring her bill, and immediately set out for the Hornbuckle cabin three miles away to return to his customer the amount he had overcharged her.



ABRAHAM LINCOLN, THE HONEST CLERK, by Frederic Mizen
Copyr. 1936 - The Lincoln Nat'l Life Ins. Company

Lincoln And Son, Tad

Another work of Mizen completed in October, 1936, this painting portrays Lincoln with his son, Thomas, named for Abraham's father, but nicknamed in infancy from his father's phrase "a little tad." The atmosphere the author has created about the characters contributes much to the picture. The immediate surroundings show the White House columns while in the far distance is the Capitol.



LINCOLN AND TAD, by Frederic Mizen
Copyr. 1936 - The Lincoln Nat'l Life Ins. Co.

Lincoln Visiting The Wounded

Painted in May, 1937, by Pruett Carter, this picture presents Lincoln at the bedside of a dying confederate officer. The President had been brought there by the soldier's brother, whom he met by accident and who was in search of a lawyer to draw up a will. The identity of the President was unknown to both of the brothers. The invalid's sister had brought in a newspaper containing a copy of Lincoln's Gettysburg Address, which had been admired and which was read by the dying soldier to his unknown friend, the author.



LINCOLN VISITING THE WOUNDED, by Pruett Carter
Copyr. 1937 - The Lincoln Nat'l Life Ins. Co.

A Great Friend To Little Children

Disappointed that all four of his children happened to be boys, Abraham Lincoln on many occasions revealed his love and admiration for little girls. In its series of Lincoln Historical Paintings by famous American artists, the Company commissioned J. C. Leyendecker to create a painting that would visualize the friendliness of Lincoln for children. The painting was dedicated to little girls Lincoln is known to have greeted, and was completed in August, 1937.

One of the most familiar stories of Lincoln's friendliness was told more than seventy years ago by a woman in Springfield, Illinois, who had been especially favored by Lincoln when she was but a child.

"The hour of the train approached, and the hackman, through some neglect, failed to call for my trunk. As the minutes went on, I realized, in a panic of grief, that I should miss the train. I was standing by the gate, my hat and gloves on, sobbing as if my heart would break, when Mr. Lincoln came by.

"Why, what's the matter?" he asked, and I poured out all my story.

"How big's the trunk? There's still time, if it isn't too big." And he pushed through the gate and up to the door. My mother and I took him up to my room, where my little old-fashioned trunk stood, locked and tied. 'Oh, ho,' he cried, 'wipe your eyes and come on quick.' And before I knew what he was going to do, he had shouldered the trunk, was downstairs, and striding out of the yard. Down the street he went, fast as his long legs could carry him, I trotting behind, drying my tears as I went. We reached the station in time. Mr. Lincoln put me on the train, kissed me good-bye, and told me to have a good time. It was just like him."¹

¹Lincoln Lore, No. 436, August 16, 1937.



"A Great Friend to Little Children", by J. C. Leyendecker Copr. Lincoln Nat'l Life Ins. Co.

Lincoln Proclaims Thanksgiving Day

With these words, Abraham Lincoln, on October 3, 1863, proclaimed the first national annual Thanksgiving Day as it is now observed: "I do, therefore invite my fellow citizens . . . to set apart and observe the last Thursday of November next as a day of Thanksgiving and Praise to our beneficent Father, who dwelleth in the Heavens."²

The idea of Thanksgiving has so long been associated with the Pilgrim Fathers that the significance of Lincoln's contribution to the observance of the day has largely been lost. It was hoped that this painting by Cornwell, which was widely reproduced, would help give proper emphasis to Lincoln's efforts toward making Thanksgiving a national festival annually observed. Dean Cornwell completed this work in November, 1937; he portrays Lincoln in deep meditation just as he finished signing the famous instrument.



LINCOLN IN WHITE HOUSE OFFICE, by Dean Cornwell
Copyr. 1937 - The Lincoln Nat'l Life Ins. Company

²Lincoln Lore, No. 449, November 15, 1937.

Lincoln's Farewell To His Stepmother

This painting, another by Mizen, completed in November, 1938, pictures the President Elect's last visit to his stepmother and the old home in Coles County, Illinois. Lincoln's own mother, Nancy Hanks Lincoln, died when he was but nine years of age. A year later his father married Sarah Bush Johnston, who was a poor widow struggling along with three children of her own. She immediately took Abraham under her care and gave him a mother's love and sympathetic attention which he never forgot. At time when interviews were being sought with Lincoln by the leading men of the nation, when every word he spoke was being noted by news correspondents from the great Eastern papers, he stole away for a quiet visit with the little old lady who had mothered him during those early years in Indiana.

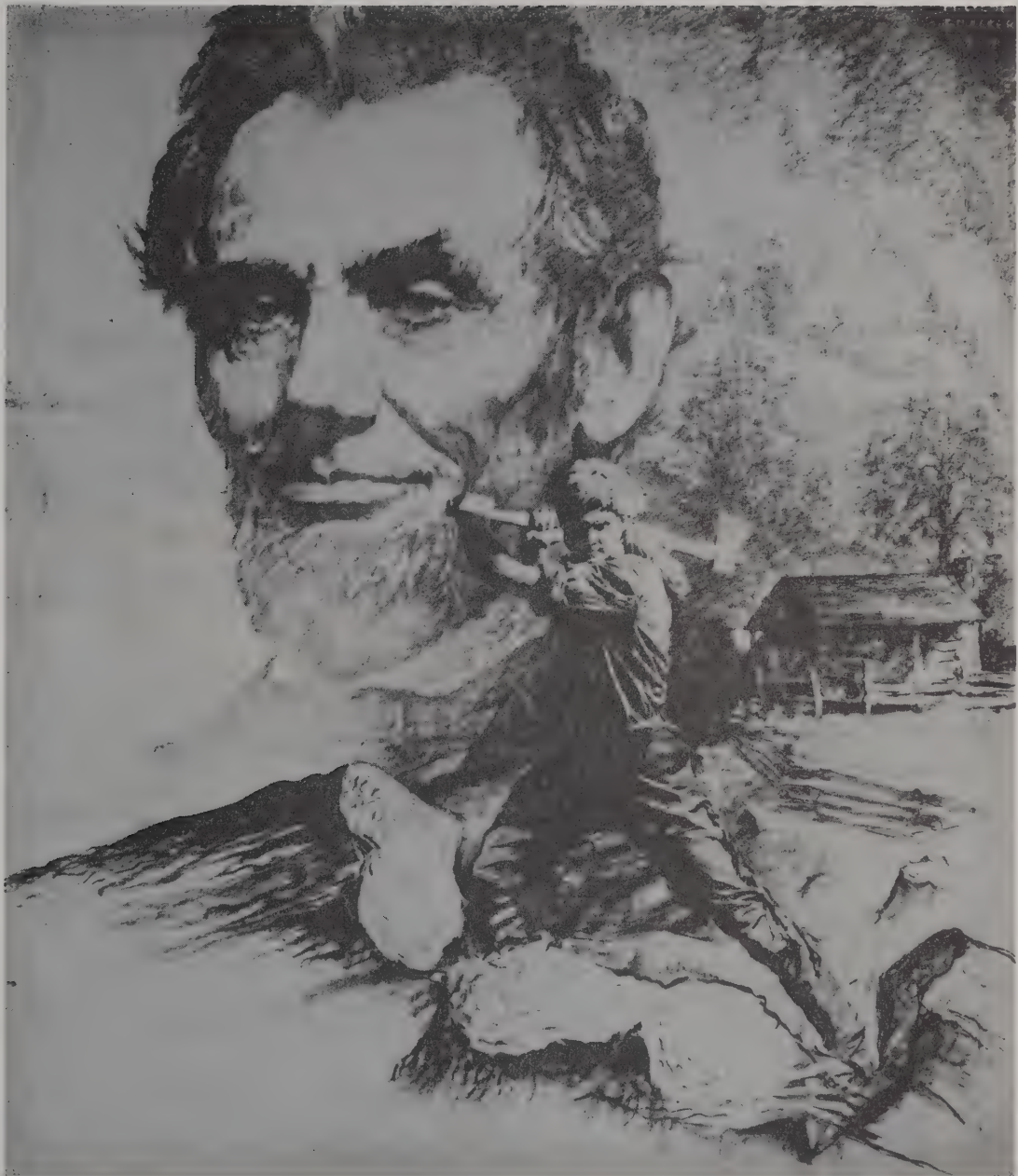


Black And Whites By Bracker

The following four photographs reproduce work of the artists, M. Leone Bracker, who completed them at various intervals during the 1930's. They present Lincoln as the boy with his mother, as the rail splitter, as President, and as he delivered his address at Gettysburg.



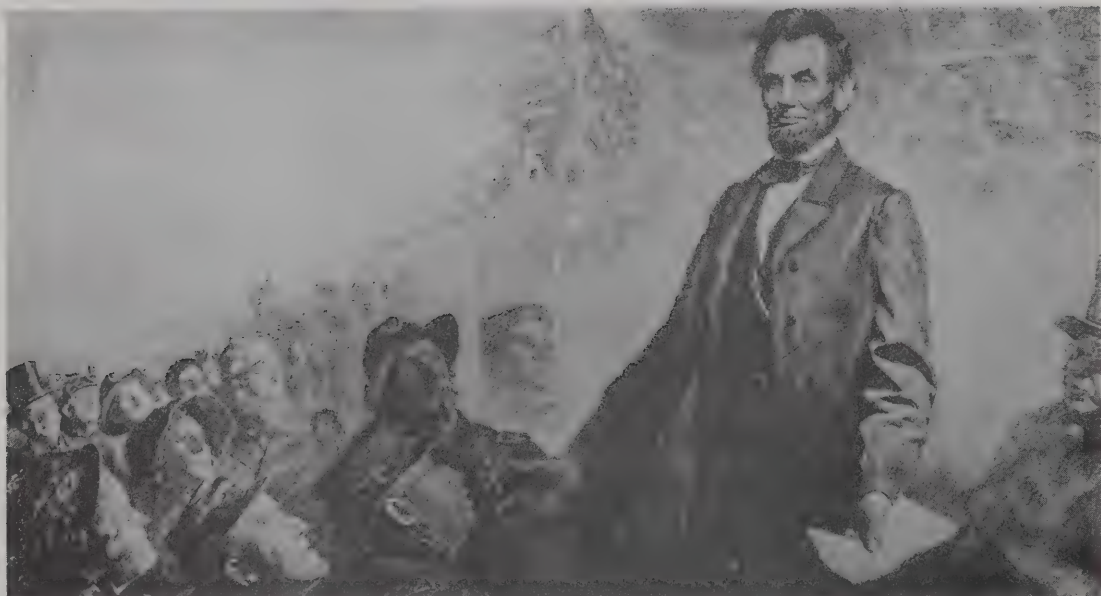
Boy Lincoln and his mother, by M. Leone Bracker Copr. Lincoln National Life Ins. Co.



"Lincoln The Railsplitter", by M. Leone Bracker Copr. Lincoln National Life Ins. Co.



LINCOLN AS PRESIDENT, by M. Leone Bracker, Copyr., 1934 - The Lincoln Nat'l Life Ins. Co.



LINCOLN AT GETTYSBURG, by M. Leone Bracker, Copyr. - The Lincoln Nat'l Life Ins. Co.

Dr. Louis A. Warren

Throughout its existence, The Foundation has had as its director a man who early attained eminence as a profound scholar of Abraham Lincoln. It is fitting, as a final item in this chapter, to include the one thousandth issue of Lincoln Lore, which, suggested and prepared by friends of Dr. Warren, contains a brief account of his life and contributions, together with many testimonials from admirers of his lifelong devotion to Lincolniana.

LINCOLN LORE

Bulletin of the Lincoln National Life Foundation - - - - Dr. Louis A. Warren, Editor
Published each week by The Lincoln National Life Insurance Company, Fort Wayne, Indiana

Number 1000

FORT WAYNE, INDIANA

June 7, 1948

DR. LOUIS A. WARREN, EDITOR OF LINCOLN LORE

(This 1000th Issue of Lincoln Lore Was Suggested and Prepared by Friends of the Editor)

The wide distribution for nearly twenty years of a weekly publication restricted to a highly specialized historical field is in itself an achievement deserving some attention, but when it is known that this vast reservoir of information is the contribution of but one editor, the task performed is even more worthy of recognition. The 1000th issue of this periodical, *Lincoln Lore*, seems to offer an appropriate occasion to honor its editor, Louis A. Warren, and fulfill a desire expressed by many recipients of the publication, that some word of appreciation might be prepared.

Dr. Warren has lived continuously in communities which have offered peculiar advantages to the Lincoln students. His first interest in the Lincoln family began in Worcester, Massachusetts, where he received his elementary education. The school he attended was situated on Lincoln Square, where Dr. Abraham Lincoln had conducted an apothecary shop as early as 1784. Levi Lincoln, Dr. Lincoln's brother and a member of Thomas Jefferson's Cabinet, also lived in Worcester. When President Lincoln visited Worcester in 1848 he was entertained by Levi Lincoln, Jr., a Governor of the State of Massachusetts. These Worcester Lincolns and Abraham Lincoln were all descendants of Samuel Lincoln of Hingham, Massachusetts. In this Lincoln atmosphere Dr. Warren spent his early years.

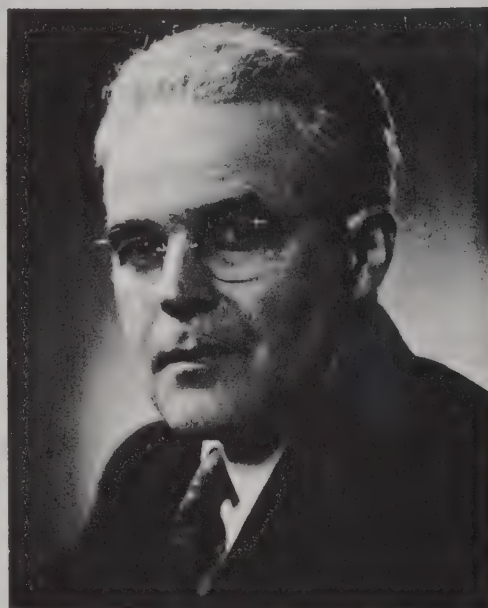
During the Centennial year of Lincoln's birth, 1909, Dr. Warren moved to Lexington, Kentucky, where he entered Transylvania University, the oldest educational institution west of the Allegheny Mountains. Here he identified himself with the State of Lincoln's birth.

In 1918, Dr. Warren became the editor of the "Larue County Herald" in Hodgenville, Kentucky, the town near which Abraham Lincoln was born. While serving here as the newspaper editor, he became convinced that too much dependence had been placed upon the reminiscences of elderly citizens and too little search had actually been made of authoritative records for the true facts contained therein about the Lincolns. He then began his exhaustive search of public archives for documentary source material about Abraham Lincoln, and he is still diligently seeking authentic data. It may be truthfully said that no one individual has contributed more information concerning the early years of Lincoln's life than he has brought to light. This new revelation, much of it unpublished, except through *Lincoln Lore*, has caused an entirely different approach to the study of the great Emancipator.

Dr. Warren later moved to Elizabethtown, Kentucky, the first home of Lincoln's parents, and there he continued his investigations, copying thousands of court records relating to the Lincoln family in Kentucky, Virginia, Tennessee, and North Carolina. The publication of his book, "Lincoln's Parentage and Childhood," caused him to be considered the foremost authority on this subject.

A residence for three years not far from the Indiana country where Lincoln lived from the time he was seven until he became of age, allowed Dr. Warren to interview many of the descendants of Abraham Lincoln's contemporaries who still lived in the community. Later, encouraged by Senator Albert J. Beveridge, he took up his residence close to Indianapolis, where he made an exhaustive study of the Indiana environment of the Lincolns as revealed in the archives of the State Capitol.

While pursuing this research, Dr. Warren was engaged to lecture for the Indiana Lincoln Union, then



—George Studio, Springfield, Ill.
Louis A. Warren

attempting to raise funds for the erection of a memorial to Lincoln's mother. His speaking itinerary in Northern Indiana was under the direction of Mr. Arthur F. Hall, then President of The Lincoln National Life Insurance Company at Fort Wayne, and through this contact Dr. Warren was consulted in February, 1928, about the possibility of establishing a historical research foundation. His services were retained to accomplish this end. As Director of the Lincoln National Life Foundation, Dr. Warren has gathered what is believed to be the largest collection of literature ever assembled in one place about one man, biblical characters excepted. The collection now includes more than 7,800 books and pamphlets, exclusively Lincoln; 225 association books similar to those that influenced Lincoln; 4,000 collateral publications dealing with Lincoln's associates, histories of the communities where he lived, and reminiscences of men who knew him; more than 3,500 magazine articles on Lincoln, which have been separately bound and indexed according to subject, author, and publication title; and more than 100,000 pages of clippings filed under more than 3,000 different specified subjects. In addition, Dr. Warren has acquired 24 original art studies by some of America's best-known artists, a collection of more than 100 Lincoln photographs from original negatives, more than 6,000 different Lincoln prints which have been catalogued and systematically displayed or filed, more than 1,500 political posters, addresses, ballots and caricatures, 75 busts and statuettes, 80 plaques, and more than 1,200 Lincoln

medals. Dr. Warren has also assembled a department of archives, which is especially rich in documents relating to Lincoln's ancestry, Kentucky environments, and early Indiana history, as well as original writings of Abraham Lincoln and his contemporaries. Microfilm copies of the 18,000 Lincoln papers in the Library of Congress have been acquired.

In addition to editing *Lincoln Lore* and the formerly-published *Lincoln Kinsman*, Dr. Warren has written nearly 100 books, pamphlets and magazine articles on Abraham Lincoln. The total wordage of *Lincoln Lore* alone is comparable to the Nicolay & Hay ten-volume *History*.

Through the years, he has engaged in numerous extensive speaking tours which have brought him before more than 2,200 groups located in 38 different states.

Dr. Warren's outstanding work in the field of Lincolniana has won him many honors. He was recently invited by Dr. Luther H. Evans, Librarian of Congress, to be one of the 16 special guests to be introduced at the opening of the Abraham Lincoln papers in Washington, D. C., July 26, 1947. He received the honorary degree of Doctor of Literature from Lincoln Memorial University in 1929. For over twenty years he has been listed in "Who's Who in America" and is also in "Who's Who Among American Authors." He is a member of the Society of Midland Authors, and for several years he has served as a member of the Indiana Library and Historical Commission and the Indiana War History Commission. It was through documentary evidence uncovered by Dr. Warren in his Lincoln research work that the precise boundaries of the Lincoln birthplace farm were determined and made a matter of record in the archives of the Interior Department of the United States.

When word got around that this issue of Lincoln Lore would be prepared by friends of Dr. Warren, numerous testimonials were received. As many of these as space permits are being reproduced here.

I consider it good fortune to have received, read, and preserved *Lincoln Lore* from the beginning. It was a brilliant idea, successfully carried out, to pass along to Lincoln lovers the fruit of the research of a man of such fine spiritual perception as is possessed by Dr. Louis A. Warren.

W. H. M. Adams
Minneapolis Collector

Once, when Abraham Lincoln wanted to recommend an old and trusted friend to the Secretary of War, he referred to him simply as "a good man." On this anniversary occasion I can think of no better term by which to characterize my old and trusted friend, Louis A. Warren.

Paul M. Angle
Secretary and Director,
Chicago Historical Society

No Lincoln library can be complete without *Lincoln Lore*. Every Lincoln student is debtor to Dr. Louis A. Warren and the Foundation for added enjoyment, inspiration and education.

Harry S. Ballard
Columbus, Ohio, Student of Lincoln

Lincoln Lore is a bright beacon in the realm of Lincolniana. Every issue impresses one as a devoted attempt to properly portray the towering and steadily growing personage whose life and efforts best characterize that for which the United States of America has stood and will continue to maintain.

F. E. Balmer
Pullman, Washington, Collector

For a score of years *Lincoln Lore* has carried the informative and inspiring messages of Dr. Louis A. Warren, "a scholar gifted with an eye and a soul." His earnestness, sincerity and verity have inspired youth to study, and brought conviction to the student.

Oliver
Dean of Lincoln

Being greatly indebted to Dr. Warren, not only for my oft-used files of *Lincoln Lore*, but for the courtesies and welcome assistance he has extended on many occasions, I feel better for this opportunity to say, "Thank you!" out loud.

Robert Barton
Fozboro, Mass., Author and Collector

Dr. Warren's contribution to Lincoln study over the last twenty years is invaluable.

Roy P. Basler
Secretary, Abraham Lincoln Association

Dr. Louis A. Warren has accomplished a most interesting and valuable task in the conduct of his researches in connection with Lincoln. His indefatigable industry has unearthed much historical material of great interest and value.

Walter B. Beals
Judge, The Supreme Court,
State of Washington

Dr. Warren! Lincoln speaker, author, collector, investigator, lecturer, truth youth-inspirer, — yes, America's all-time Lincoln devotee.

James H. Hinger
Davenport

The magnificent Warren's acquisition theme; his insight and nothing but detail of the Lincoln wide influence of these red-

who has a complete file. No Lincolnian is more diligent, none more accommodating, none directs a more ambitious undertaking. Some diversities of opinion need not dilute warmth of congratulations—a big win done.

F. Lauriston Bull
Boston Editor, Author and

These *Lincoln Lore* include a valuable part of Lincoln's interest and the extent of convey.

John

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CHAPTER 12

RETROSPECT AND PROSPECT: THE LINCOLN'S FIRST HALF CENTURY

The Lincoln is now fifty years old and fifty years is a long period in the life of any business, but more important than the length of time the Company had endured is its accomplishment within the half century. Between 1905 and 1955 The Lincoln has become the largest life reinsurer in the world, and the ninth largest life insurance company in the United States. In providing reinsurance of substandard and excess risks to other life firms, large and small, the Company has since 1919 greatly broadened the market for life insurance. Now, through the hundreds of companies receiving reinsurance service from The Lincoln, insurable persons can secure large policies, and physically impaired individuals, who otherwise would be refused protection, can buy life insurance at an increased premium. This broadening of the market, however, has not been unaided by other factors.

The population of the United States has not only increased in numbers but also become more urbanized, moving from rural to city areas. That same population has become more dependent on a money economy, has enjoyed a higher standard of living, and has experienced a lengthening of the average expectation of life. For all these reasons, then, life insurance in this country since the turn of the century had led the world in volume as well as the amount owned per capita. The Lincoln has played a prominent part in providing more widespread protection for people wanting to prepare for retirement and to care for their dependents. If insurance is a great social good, The Lincoln has done a large share in making it widely available.

When the Company was launched into the rough seas of 1905, Arthur Hall perhaps regarded its voyage into the unknown future as a supreme and colorful adventure, challenging his creativeness in every way. As manager and organizer, he made certain The Lincoln had a good beginning and remained to see it grow out of its rompers and become a giant in the industry. A record was established when the Company reached \$1 billion of life insurance while still under the guidance of its original manager.

When McAndless entered the picture in 1919 as a promising young employee, The Lincoln had already set its pace for the future. It was moving and moving rapidly. Franklin Mead had determined the course, with concentration in two areas, sub-standard insurance and reinsurance. Although Mead did not live to become president of the Company, his influence on its development was lasting, and his creative genius accounts for much of its solid growth as a young concern during its first twenty-five years. McAndless continued that aggressiveness--that boldness which largely accounts for the Company's competitive position today.

In some respects it may be said that Hall founded the old company and McAndless founded the new, for they were men of opposite types. Hall was the originator, the organizer, the promoter, the super-type of salesman. McAndless was the preserver, the scholar, the shrewd bargainer, the man of versatile talents. With his great executive ability, he could make the most of a situation--whether it called for tight financial control and a patient conservative approach or bold and sudden aggression. Both men, however, left a permanent imprint on the Company, for it took the two of them to make The Lincoln what it is today--a company of over \$1 billion of assets and over \$7 billion of life insurance in force in 1955.

Starting out with the ideal of quality that the name Lincoln implied to its founders, the Company has succeeded in continuing to produce that type of service in spite of the quantity operations which it fulfills today. In addition, its management has stood the test of time. Although by no means perfect, the Company's overall policies nevertheless do not deviate from recommended practices. A visitor to the executive offices receives the impression that despite its size, The Lincoln has retained a remarkable degree of the warmth that one might have expected to find only in the small company it was many years ago. It lacks the haughtiness so often found among large corporations where absentee ownership is the rule.

Suggested Causes For The Lincoln's Position Today

Several reasons may be cited for its present position. The first, and perhaps the most important, has been the Company's management with its aggressive, yet conservative, risk-bearing philosophy. The executive officers have shown no fear in entering uncharted areas of new insurance developments. In addition to becoming the third company to offer disability insurance, the Company also pioneered in the area of juvenile insurance--offering protection on the life of a child from its date of birth. This same aggressive management caused the Company to establish one of the first office administration departments for the purpose of analyzing home office operating cost. At the instigation of Franklin Mead, this move spread to the formation of the Life Office Management Association at a time when many of the other companies frowned on the development of multiple associations. By reducing its office expenses, The Lincoln has increased its efficiency and reduced its overall costs.

A second factor has been the Company's role in underwriting substandard life insurance. Again principally started by Mead, this was perhaps the undertaking which gave The Lincoln its greatest growth impetus. Knowing it was a bold step for such a young company to take, Mead nevertheless unswervingly made a dramatic announcement to the other member companies of The American Life Convention that the Fort Wayne company was prepared to accept such impaired risks at increased rates, the accurate bases for which were still largely unformulated. In assuming such leadership, Mead caused many a skeptic to predict that the life of The Lincoln would not be long.

A third feature, the large reinsurance transactions of the Company are broadly recognized as having been directed with typical actuarial caution and astuteness. Although acquiring other companies has aided The Lincoln's growth, this reinsurance en bloc constitutes only about 18% of its present business in force. By far more important in the 1955 figures is the amount of indemnity reinsurance on the books. This indemnity protection represents The Lincoln's service to its company clients, and it is ever zealous in attempting to improve such offerings

on a liberal and broad basis. Moreover, reinsurance and sub-standard insurance together gave far more impetus to the Company's growth than either would have alone.

Another reason for progress has been the Company's use of laymen in its underwriting department. In organizing perhaps the first such department in the insurance business, it dispensed with the conventional method of employing only physicians for such analytical work. While it does maintain medical doctors for cases involving unusual medical problems, the bulk of underwriting is done by laymen. In hiring personnel not medically trained, the Company reasoned it could reduce its costs. True, this was in contrast to the practice of the other members of the industry, but Company officers had faith that here was an opportunity for gain, it believing that mortality experience would be no less favorable than from using physicians, and might perhaps be better. The laymen were taught that an individual applicant was only one in a similar group and the mortality of that group followed a pattern regardless of the individual's experience. Thus, this made for greater flexibility in accepting applications.

The final reason for its present position is The Lincoln's emphasis on securing high quality men in its insurance activities. This philosophy applies to its field representatives, its general agents, and its home office executives. Instead of just trying to fill a vacancy, the Company has sought to find the man best suited for the work at hand. It has sought, and largely found, efficient agency material in all walks of life, and this successful search has produced large amounts of high grade business. The Company as inducement has furnished its agents with good tools in providing a variety of policies, generous compensation arrangements, and last but not least has brought their wives to agency conventions, free of expense. To its general agents--the managers of the field representatives--The Lincoln has extended liberal commissions, has paid office and collection expenses, and issued contracts quickly, thereby adding a competitive advantage. The quality and integrity of The Lincoln's executives is the underlying source of strength in the business and in the long run the aspect of it which makes the deepest impression.

President Walter Menge

Foremost among these Company officers is a man whose bright future is filled with the greatest responsibility. Walter Menge (pronounced, with a hard "g," "Men-gie") was elected president at a special meeting of the Company's board of directors January 29, 1954, four days after the death of A. J. McAndless. Born in Buffalo, New York, September 11, 1904, Menge came to The Lincoln in 1937 as an associate actuary. Trained at the University of Michigan, he was elected to Phi Beta Kappa and received the Ph.D. degree in 1931. He joined the Michigan faculty and remained for several years as a professor of actuarial science. While still a teacher, Dr. Menge served as consulting actuary for the Department of Insurance of the State of Michigan and did similar work for several life insurance companies. With James W. Glover he co-authored a textbook on life insurance mathematics: An Introduction to the Mathematics of Life Insurance, The MacMillan Company, New York, 1935. Thus, both Menge and McAndless received their actuarial training at the same university and under the same famous Professor Glover.

Menge's rise to the presidency has been rapid. In 1943, six years after coming to Fort Wayne, he was named second vice president, and two years later was promoted to vice president. In 1951 he was again advanced, this time to first vice president. When he assumed the chief executive role in 1954, he had been, then, only seventeen years on the way.

Since joining The Lincoln, he has served on committees of The American Life Convention, The Life Insurance Association of America, The Society of Actuaries, and has written numerous scientific papers for the insurance industry. He is past president of the Home Office Life Underwriters Association and the Indiana Association of Legal Reserve Life Insurance Companies. Currently he is vice president of the Medical Information Bureau Executive Committee and president of the University of Michigan Alumni Association of Fort Wayne.

Probably one of his most important Company duties was serving as president of The Reliance Life Insurance Company for about a year and a half while the Pittsburgh company was being operated by



WALTER O. MENGE

The Lincoln as a separate organization. Menge held this post in addition to his duties in Fort Wayne until the two companies merged in December, 1953.

In taking the reins of a rapidly moving business, Menge has every opportunity to become The Lincoln's most successful and accomplished president. His vantage point as the right-hand-man of McAndless for so many years afforded him a fortunate chance to observe and participate in top-level activity of the Company. His ability has already led him into many challenging situations, not the least of which was The Reliance transaction. All of this experience will help him immeasurably in making Company decisions in the present and future--the chief responsibility for which lies on his shoulders alone.

As we have seen, Menge's equipment and professional training on beginning his task are far greater than were those of former leaders of the Company. He has, moreover, the full support not only of his chief lieutenants but of all those principal officers with whom he works. As a man, he is most personable and well liked by all who know him. He is calm, poised, and well-balanced, with a talent for the personal touch. Surely, with fifty years of achievement behind it and with his help at hand, the future of The Lincoln is promising indeed.

APPENDICES

APPENDIX A

Officers in 1955

President:

Walter O. Menge

Vice Presidents:

Edward D. Auer
Cecil F. Cross
Joseph D. Frank*
Henry F. Rood
Ronald G. Stagg

Second Vice Presidents:

Willard C. Brudi
R. C. Kneil
F. J. McDiarmid
John Phelps
Jack E. Rawles
D. B. Semans
Allen C. Steere
Thomas A. Watson

Second Vice President and Treasurer:

M. C. Ledden

Secretary:

George M. Bryce

*Retired August 1, 1955

APPENDIX B

Directors in 1955

Edward D. Auer
Vice President

C. H. Buesching
President, Lincoln National Bank and Trust Company
Fort Wayne, Indiana

Cecil F. Cross
Vice President

Joseph D. Frank*
Vice President

George Gund
President, The Cleveland Trust Company
Cleveland, Ohio

A. J. Hettinger, Jr.
General Partner, Lazard Freres & Company
New York, New York

William T. McKay
Treasurer, Bursley & Company, Inc.
Fort Wayne, Indiana

John A. Mayer
Vice President, Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

Walter O. Menge
President

Henry F. Rood
Vice President

A. G. Ruthven
President Emeritus, University of Michigan
Ann Arbor, Michigan

Fred B. Shoaff
Attorney

Walter E. Thornton, M. D.
Retired

Samuel Wolf
Director, Anthony Wayne Bank
Fort Wayne, Indiana

*Resigned August 1, 1955

APPENDIX C

A List of Company Representatives Recognized as "Agent of The Year"

IN THEIR HONOR

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
INSCRIBES THE NAMES OF ITS AGENTS WHO DURING
THE FIRST TWENTY YEARS OF THE COMPANY'S HISTORY
PRODUCED THE LARGEST VOLUME OF PERSONAL BUSINESS

1906 - W. H. Ingham	1916 - O. F. Gilliom
1907 - W. H. Ingham	1917 - O. F. Gilliom
1908 - Geo. B. Hall	1918 - E. M. Bennes
1909 - Wm. C. Bishop	1919 - E. Coldwell, Jr.
1910 - Wm. C. Bishop	1920 - O. F. Gilliom
1911 - O. F. Gilliom	1921 - R. W. Fowler
1912 - Wm. C. Bishop	1922 - S. J. Payne
1913 - Wm. C. Bishop	1923 - S. J. Payne
1914 - O. F. Gilliom	1924 - S. J. Payne
1915 - O. F. Gilliom	1925 - S. J. Payne

IN THEIR HONOR

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
INSCRIBES THE NAMES OF ITS AGENTS WHO IN EACH
OF THE SECOND TWENTY YEARS OF ITS HISTORY WERE
ADJUDGED TO BE OF THE GREATEST VALUE

1926 - R. W. Fowler	1936 - H. C. Lawrence
1927 - J. Wade Bailey	1937 - H. C. Lawrence
1928 - T. I. Ramer	1938 - L. F. Richardson
1929 - J. S. Touchstone	1939 - J. Graham Hopkins
1930 - C. M. Varde	1940 - L. G. Rupert
1931 - H. E. Campbell	1941 - John D. Marsh
1932 - Clyde Chaddick	1942 - O. Frank Helvie
1933 - Clyde Chaddick	1943 - T. B. Isaacson
1934 - Clyde Chaddick	1944 - Earl M. Crandall
1935 - Clyde Chaddick	1945 - Harry W. Nebel

APPENDIX C (Continued)

IN THEIR HONOR
THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
INSCRIBES THE NAMES OF ITS AGENTS WHO IN THE
YEARS 1946-19__ WERE DESIGNATED AGENT OF THE YEAR

1946 - A. Rutledge, Jr.
1947 - C. S. Miller
1948 - Col. D. I. Moler
1949 - Col. D. I. Moler
1950 - Leo C. Mascotte

1951 - A. L. Hallenberg, Jr.
1952 - A. L. Hallenberg, Jr.
1953 - L. C. Mascotte
1954 - I. A. Cohen

APPENDIX D

HALF A CENTURY WITH THE RELIANCE

by
Arch D. West

Reliance Life Insurance Company of Pittsburgh

A little more than fifty years ago a meeting of "Subscribers to a Proposed Life Insurance Company" was held in Pittsburgh. The date was March 13, 1903, with Judge James H. Reed, Thomas M. Porter, T. H. Given, Hay Walker, Jr., D. C. Noble, John Walker, John W. Garland, Frank W. Smith, and W. R. Porter, all Pittsburgh business leaders, present. The books were declared opened for subscription.

Twelve days later a second meeting was held, to report that the full amount of stock had been subscribed. It was announced that, by the sale of 10,000 shares at \$200 per share, the proposed company would have a fully paid-in capital of \$1,000,000 and surplus of \$1,000,000, at that time the largest amount of money ever invested in the organization of a life insurance company. At that meeting Judge James H. Reed, noted Pittsburgh lawyer and co-founder of the law firm now known as Reed, Smith, Shaw and McClay, was elected president of the new company; T. H. Given, President of the Farmers Deposit National Bank, Pittsburgh, and a figure of national prominence in banking circles, was elected Vice President; J. W. Fleming, Treasurer; and Frank W. Smith, Secretary. Those four were also elected directors, as were D. C. Noble, John W. Garland, William L. Curry, Hay Walker, John Walker, Joseph A. Herron, John Lloyd and Andrew W. Mellon (later to become known as the "greatest Secretary of the United States Treasury since Alexander Hamilton"). The newly elected officers were authorized to prepare Articles of Incorporation to be presented to the Governor for the purpose of obtaining a Charter and Letters Patent, and the name "Reliance Life Insurance Company of Pittsburgh" was adopted.

At that time the yacht "Reliance" had shown its superiority over other American yachts and was chosen as the defender against the challenge of Sir Thomas Lipton and his "Shamrock III" for the thirteenth race for the "America's Cup." The name "Reliance"

was featured in newspaper accounts of the trial races and those organizing the company recognized the name as particularly applicable to a life insurance company, signifying, as it does, strength, dependability and all the ideals of public service held by the founders. Late in the summer of 1903 the yacht "Reliance" won three decisive victories over the "Shamrock III," and retained the cup.

From among many suggestions for an insignia, or trade-mark, the organizers chose the painting "Caritas" by Abbott H. Thayer. It portrays charity, which in its purest form is love, represented by a woman of noble figure and passionless serenity standing with arms outstretched, guardian over the lives of a little boy and a little girl. The figure of the woman portrays the pure, frank outlook on life, standing prepared to accept responsibilities and uphold a high ideal. The painting was selected because it symbolizes protection, the fundamental purpose of life insurance.

The Caritas painting inspired the "Caritas Cup Race," a traditional November production contest in which all Reliance field men participated with spirit and zeal, making November each year a top production month.

After the Charter had been granted and Letters Patent issued (March 31, 1903) the Directors held their first meeting, electing A. F. McDonald General Manager, with the responsibility of acquiring, training and developing an agency force. It is interesting to note that, at that meeting, the Directors authorized the company's first investments, consisting of the purchase of:

\$300,000	Pitcairn and Wilmerding Street Railway	5% Bonds
241,000	Pressed Steel Car Company	5% Bonds
100,000	Westinghouse Foundry Company	5% Bonds
100,000	Philadelphia Company	5% Bonds

Beginning business on May 4, 1903 in four rooms in the Farmers Bank Building and with fifteen employees, Reliance grew, slowly at first, then rapidly. Over the years it experienced the effects of the "money panic" of 1907, the Armstrong Investigation, the first

World War, the devastating influenza epidemic of 1918-1919, the upsurge of business in the "roaring twenties," the depression years of the "hungry thirties" with banks closing and the resultant "bank holiday," and the great social upheaval growing out of the depression, with the advent of social security, S.E.C. investigation, abandonment of the gold standard, mounting and unprecedented labor strife, rising taxes, rising living costs, inflation, and of course, World War II.

But Reliance weathered the storms, and flourished, as will be seen by the growth depicted below:

	<u>Assets</u>	<u>New Business Produced</u>	<u>Insurance In Force</u>
End of 1903	\$ 2,075,106	\$ 1,328,000	\$ 1,328,000
End of 1913	4,459,003	14,632,444	44,334,141
End of 1923	26,180,675	55,970,985	255,869,686
End of 1933	80,510,807	31,146,460	401,458,466
End of 1943	168,309,813	59,743,938	592,658,801
End of 1952	340,246,579	95,671,709	1,062,817,831

Judge Reed, the first President, died in 1927, living to see the company he helped found accumulate over \$48,000,000 in assets and \$380,000,000 insurance in force. A goodly number of young men who started with the company during Judge Reed's presidency rose to high office.

Among them were: Herman G. Scott who started with the company when it began business in 1903, soon was assigned the duties of Acting Comptroller, then became Secretary, then Vice President and Secretary and eventually Executive Vice President. The influence of his great capacity for organization and his outstanding personality contributed greatly to the company's development, and his death was a shock to the entire organization; Edward G. McCormack who was appointed Supervisor of the company's first Branch Office in Louisville, Kentucky in 1908, and who became Vice President, in Charge of Agencies, retiring in 1932; Jay N. Jamison who, the day the company opened its doors for business entered the service of Reliance Life, later to be made Assistant Secretary, Actuary,

Vice President and Actuary, and in 1935, Executive Vice President, which position he held until his retirement. The entire company was saddened by the announcement of his death, which occurred in Pakistan three years after he had retired, while on a world cruise; Dr. Olin M. Eakins, who became Vice President and Secretary; Thomas J. McKenna who over his 40 years with the company filled several important positions and who at the time of his retirement in 1946 had been Vice President in Charge of Underwriting for more than ten years; William J. Snodgrass, another who entered Reliance service at the very start in 1903, who rose to the position of Treasurer before his death in 1943; Leroy P. Gregory who, in 1912-13, helped introduce "Perfect Protection," and who became Vice President; Robert C. Kneil who advanced from 1915 to become Budget Director, Assistant to the Executive Vice President and Vice President, and who after the merger with Lincoln became Second Vice President of Lincoln, and the chief Executive Officer resident in Pittsburgh for the Reliance Division of Lincoln; Arch D. West who from 1911 advanced to Cashier, Secretary and Vice President and Secretary, retiring in 1953; Andrew M. Knabe who became Treasurer and who died in 1948; James H. Layton who from 1909 was closely associated with the company's sales forces as Auditor of Agency Accounts and who was made Assistant Vice President in 1943; and Bertram L. Sichelstiel who, from his start in 1919, was always identified with the Accident and Health Department succeeding Mr. Gregory as head of that Department and who was made Assistant Vice President in 1950.

During Judge Reed's tenure as President the company expanded its field offices rapidly, becoming licensed in 37 states by 1906 and establishing 26 Branch Offices by 1911. The "Duplex Policy," combining life and accident coverage was introduced in 1912 followed by the introduction of "Perfect Protection," combining life, accident and health insurance, in 1913. The next year the company discontinued issuing deferred dividend participating policies and commenced issuing its participating policies on the annual dividend plan. These all proved business stimulators and the volume of new business produced from then on rose rapidly.

However, the expense of establishing and maintaining so many Branch Offices in new, unproven territory soon became evident.

Another drain on surplus was being felt--that of valuing reserves on the full level premium 3% basis, which basis the company had used from the beginning. The need for retrenchment resulted in a change, in 1909, to the 3½% modified preliminary term basis for reserves, and in temporarily closing several Branch Offices in 1913. (Note: The reserve basis for new policies was changed in 1942 to the American Experience 3%, and again 1948, to the 2½% CSO basis.)

A few interesting and amusing items of particular note appear in the records of earlier years; one, an authorization in 1905 to increase J. N. Jamison's salary to \$75 per month (he became Executive Vice President 30 years later!); one, offering Indian motorcycles to the three leading agents in 1912; and one, in 1913, awarding the company's leading agent for that year a "Twenty horsepower, Model T Ford Runabout, complete with top, three oil lamps, horn, tools and windshield."

The original holders of Reliance stock waited eleven years until 1914 for their first dividend of six dollars per share on the \$100 par value shares for which they had paid \$200 per share. The rate was increased to eight dollars per share for 1916-17-18, passed in 1919 because of the effect of the influenza epidemic, then resumed at six dollars per share in 1920, continuing at that rate through 1943. In 1944, the capital structure was changed from \$1,000,000 to \$1,500,000 by the declaration of a 50% stock dividend, the par value of the shares being reduced to \$50. The net result was that one share of the old \$100 par value stock became three shares of the new \$40 par value, the number of shares being increased from 10,000 to 30,000. Thereafter, and continuing through September of 1951 dividends were paid each year at the rate of 8%.

After the death of Judge Reed in 1927 Arthur E. Braun, President of the Farmers Deposit National Bank, Pittsburgh, was elected President of Reliance and served in that capacity until 1949 when he was made Chairman of the Board, retiring because of ill health at the end of 1951. Under his wise leadership the company continued its steady growth, the assets increasing sixfold and the insurance in force threefold during his presidency despite the lean years of the depression period. In 1928 Juvenile policies were introduced

to the Reliance sales force and met instant acceptance, accounting for a sizable portion of the new business annually thereafter. A Double Indemnity provision was also added, as was a Family Income Rider, both adding to the increase in production. Among the many who entered the company's service during Mr. Braun's term as President were G. R. Mullans, who became Actuary, Dr. J. L. Humphreys, later made Medical Director; W. M. Guthrie, who advanced to Comptroller; R. B. Frederick who was made Treasurer in 1948; and F. G. Whitbread bringing with him a knowledge gained from 23 years' life insurance experience with a prominent Canadian company of which company he was Associate Actuary in Charge of Underwriting, Policy Issue, Accident & Sickness and Reinsurance, and who was made Vice President of Reliance with similar responsibilities.

During the depression years of the thirties Reliance noted, along with most all companies, a growing increase in policy loans, lapses and surrenders; an unfavorable claim experience on its coverage under the Income Disability Clause, and a continued lowering of interest rates on securities suitable for investment. Meeting the situation courageously the company in 1932 discontinued writing the Income Disability Clause, and, one of the last companies to do so, reduced dividends to policyholders in 1935. At about the same time the company began intensifying its program of reserve strengthening, consistently following that course thereafter, a program which bore abundant fruit, helping to make possible the excellent financial statements during the rest of the company's corporate existence.

A striking example of "carrying on" after the loss of men regarded as "indispensable" occurred in 1935. In that one year the company lost H. G. Scott, Executive Vice President, and Angus Allmond, Superintendent of Agencies, by death; and lost E. G. McCormack, Agency Vice President and W. L. Wilhoite, Superintendent of Agencies, both by retirement. But in the realignment of the official organization, the company lost none of its momentum. That year J. N. Jamison was elected Executive Vice President; H. T. Burnett, for years a dynamic force as Agency Manager in various localities, was elected Vice President, Agencies, 1936; V. J. Adams, J. F. Johns and G. G. Lamar were made Superintendents of Agencies;

and T. J. McKenna was made Vice President. In 1942 the company entered the nonmedical field, a step which accounted for a significant percentage of the new insurance written each year thereafter. In the period of the next five years, R. C. Kneil, was elected Vice President, J. F. Johns, Vice President, Agencies, following H. T. Burnett's retirement, and A. D. West was elected Vice President and Secretary. During those same years the company adopted a retirement plan and group insurance for employees and agency management personnel.

For the first time in its history Reliance, in 1949, acquired a full-time President. The first President, Judge Reed, who served from 1903 to 1927, was able to devote only a portion of his time, from his many activities, to the company. Mr. Braun, who succeeded him, took a far more active part in Reliance affairs, but his time was in great demand by the Farmers Deposit National Bank of which he was President, and by the many other corporations in which he held directorship. After Mr. Braun was made Chairman of the Board in 1949 and after careful investigation and deliberation, John A. Mayer became the new, and the first full-time President of Reliance. Mr. Mayer, holding a responsible executive position with a large eastern life company, brought with him sixteen years of life insurance experience. An indefatigable worker, possessed of a seemingly inborn sense of management, he infused new vitality into the organization from the very start. Among the important steps taken by Reliance under his direction were: the introduction of Commercial Accident and Health Insurance; the establishment of the company's own Investment Department with George L. Langreth, an investment specialist who had spent twenty-two years with a nationally known firm of investment bankers in New York, in charge as Vice President; a long needed revision in contracts designed to reduce high overhead agency expenses; the naming of G. G. Lamar as Vice President, Agencies, with R. C. O'Connor as Assistant Vice President and J. E. Rawles, as Assistant Superintendent of Agencies and Director of Training; the streamlining of responsibilities and duties of the official staff and, most importantly, the inauguration of a program to bring about a needed increase in the rate of interest earned on invested assets.

Meanwhile the assets, surplus funds, insurance in force and new production were growing at a most satisfactory rate and the company had reached a point where its new business potential and earning capacity--both already large--gave indication of a continuing upward trend.

The Union Trust Company, a state bank, holding the majority of the capital stock of Reliance Life, merged in 1946 with the Mellon National Bank of Pittsburgh forming the Mellon National Bank and Trust Company. As a result this stock passed into the ownership of the Mellon National Bank and Trust Company. National banks were not permitted to own stocks and the authorities gave the bank a limited period of time in which to divest itself of the ownership of Reliance stock. Several methods of doing this were thoroughly explored but were found either unworkable or unattractive. During this period, the rate of growth of Reliance had not gone unobserved by others, particularly The Lincoln National Life Insurance Company of Fort Wayne, Indiana, who, in 1951, made an offer to purchase the Reliance stock.

After careful consideration of the element of trusteeship of funds belonging to policyholders and proven ability to operate a life insurance company so as to fulfill all promises and guarantees made to policyholders, the Reliance stock passed to the ownership of The Lincoln National. The strength of Lincoln, reflecting the merger of the two companies, provides even greater protection than ever before to Reliance policyholders.

Coincident with the acquisition of Reliance stock by Lincoln, W. O. Menge, First Vice President of Lincoln, was elected President of Reliance, succeeding President Mayer who resigned to take a high position with Mellon National Bank and Trust Company. H. F. Rood, Second Vice President and Actuary of Lincoln was elected Vice President of Reliance and both he and Mr. Menge were placed on the Reliance Board. Immediately Reliance entered the Noncancellable Accident and Health field, adopted a new Income Disability clause, and Reliance field men were given the privilege of writing group insurance, placing it with Lincoln. Reliance agents and agency management personnel, almost to a man, became Lincoln representatives on November 1, 1952, and thereafter all business was written

on Lincoln forms at Lincoln rates. That was the first step in welding together these two fine companies. The second step--the actual assumption of Reliance policies by Lincoln--took place as of January 1, 1953.

Thus was "Finis" written on the last page of a half century of Reliance history; thus Reliance became one with Lincoln!

Reliance always recognized the important part played by its field men in the building of the company. Space does not permit naming the hundreds of field managers and agents who, in the early years of the company, carried the banner into remote and far-flung territory, establishing the name of Reliance as a significant factor in the highly competitive business of life insurance. Most of these courageous pioneers have gone to their reward; their accomplishments will remain as a notable contribution to the history of the company they helped to build.

Nor is there room to list all of the prominent producers still active and who continue their stellar performance under the Lincoln banner. To name one, or ten or fifty would not suffice. Individually and collectively they have made an indelible impression on the unrecorded pages of Reliance growth; without them it is doubtful if this history would be written. But among them are ones who earned recognition for distinctive performance. Their names and their achievements are shown in the paragraphs that follow.

Consistent weekly production honors for writing an application a week for fifty-two weeks were won by E. G. Norwood, Bennettsville, South Carolina; C. A. Swineford, Richmond, Virginia; H. D. Gardner, Johnstown, Pennsylvania; A. T. Cochran, Pittsburgh; and P. D. Manning, Houston, Texas. Each qualified for this honor--not for one year alone--but for 20 years or more. "Consistency, thou are a jewel."

To be the leading producer of a company whose new business reaches a hundred millions a year is no small accomplishment. David Warshawsky, Cleveland, has had that distinction 13 times since 1932; Hyman Rogal, Pittsburgh, has occupied the coveted position five times since 1936; E. J. Schellentrager, Pittsburgh,

and Palm Beach, won the honor in 1925 and 1926; I. A. Cohen, Pittsburgh, was company leader in 1942; Gerald V. Cleary, Chicago, headed the list in 1929 and wrote the first million dollar policy ever issued by Reliance on one life.

Another honor which Reliance agents have annually sought is that of being the company leader on number of policies delivered and paid for. The favored position was won in 1939 by Charles Manella, Pittsburgh; in 1940, '41, '42 by W. H. Heilman, Kittanning, Pennsylvania; in 1944 by F. H. Rausch, Baltimore. David Warshawsky, volume leader thirteen times, won the "Paid Policies" trophy twice - once in 1945 and again in 1951. Jack Schwartz, Los Angeles, was the leader in 1946; and Joseph D. Heard, Clarksville, Indiana, took the No. 1 spot five times between 1947 and 1952.

Each year, Reliance set a goal for the production of Accident and Sickness Insurance with total paid premiums as the yardstick for the year. Here again, contenders vied with one another for the honor of leading all producers, the honor going, since 1935, six times to A. J. Blum, Houston; twice each to I. A. Cohen, Pittsburgh, and G. Allen O'Neal, West Palm Beach; winners once each were Leonard Zittrain, Norfolk; B. A. Perry, San Antonio; J. Max Abramowitz, Baltimore; Jack Schwartz, Los Angeles; Blaine Lewis, Ashland, Kentucky; M. A. Goldstein, Baltimore; Virgil Justice, Pikeville, Kentucky; and R. G. Johns, Pittsburgh.

Membership in the Million Dollar Round Table offers a challenge to volume producers, but, it's a hard mark to make. "Not too hard, though," say these Reliance record-breakers, who broke into the charmed circle: David Warshawsky, Cleveland; I. A. Cohen, Jules Ehrman, Hyman Rogal, all of Pittsburgh; J. Max Abramowitz and S. M. Abramowitz, both of Baltimore; William Rosenfeld, Greenville, South Carolina; R. A. Hilliard, Asheville; and Joseph D. Heard, Clarksville, Indiana.

"Business that stays" is the kind every company, manager and agent wants. During the years in which departmental records on persistency were kept, the Hilliard Agency, Asheville, and the Slick Agency, Johnstown, nearly always took turn about in placing either first or second among the various departments in respect to persistency ratios and set a mark difficult to beat.

One hears much, and often, of a "family spirit" pervading the ranks of certain corporations. Such a spirit did, in fact, play a dominant part in the success of Reliance Life. It was evident in the field, in the Branches, in the Home Office, at conventions. Among the employees on the company's rolls are considerable numbers of "second generation" men and women, whose fathers, or mothers, saw service with the company in the early days, many still here. Likewise in the field are noted such father-son combinations as Harold R. and Frank W. Zimmerman, Martin W. and Ward L. Sutfin, Delmar L. and Delmar L. Simmons, Jr., Leroy N. and Sheldon Olmsted, Barney and Leonard H. Benson, J. Max and Irving J. Abramowitz, Henry I. and Jerome B. Rosenberg, Nathan A. and Marvin A. Freedman, Hyman and Alvin Rogal, Norbert H. and Norbert J. Weidner, Delbert W. and Nathaniel L. Saffel, and Wilson and Norman Slick.

Finally, and importantly, let there here be inscribed a testimonial to the employees of the company, at the Home Office and in the Branch Offices. In their several capacities and by their devotion and loyalty they have earned the thanks and the high regard of a company whose privilege it is to have numbered them among its co-workers and friends.

In the merging of these two fine companies may there be always present in our consciousness a purpose to continue that steadfast and unswerving fidelity to principle so genuinely characterized by--Lincoln!

APPENDIX E

A List of States and Countries in which The Lincoln is Qualified
to Conduct Direct Business, with Corresponding Dates of Entry

<u>State or Country</u>	<u>Date of Entry</u>
Alabama	November 27, 1951
Arizona	December 1, 1920
Arkansas	November 5, 1927
California	July 1, 1919
Colorado	August 13, 1918
Connecticut	October 28, 1935
Delaware	February 14, 1935
District of Columbia	November 18, 1929
Florida	October 1, 1939
Georgia	February 7, 1950
Idaho	September 1, 1937
Illinois	December 8, 1916
Indiana	September 1, 1905
Iowa	September 13, 1917
Kansas	August 11, 1922
Kentucky	October 16, 1925
withdrew March 1, 1927, re-entered May 1, 1943	
Louisiana	July 2, 1928
Maine	October 7, 1935
Maryland	October 19, 1925
Massachusetts	July 1, 1937
Michigan	December 1, 1906
Minnesota	February 28, 1917
Mississippi	July 1, 1930
Missouri	November 10, 1921
Montana	April 1, 1917
Nebraska	October 3, 1917
Nevada	August 25, 1941
withdrew March 1, 1944, re-entered August 10, 1945	
New Hampshire	October 6, 1938
New Jersey	April 22, 1921
New Mexico	March 11, 1922
North Carolina	April 1, 1919

APPENDIX E (Continued)

<u>State or Country</u>	<u>Date of Entry</u>
North Dakota	January 4, 1917
Ohio	April 25, 1907
Oklahoma	October 14, 1919
Oregon	August 8, 1922
Pennsylvania	August 17, 1908
Rhode Island	November 1, 1938
South Carolina	November 14, 1951
South Dakota	March 1, 1917
Tennessee	February 6, 1923
Texas	December 21, 1920
Utah	November 15, 1915
Virginia	June 5, 1934
Washington	August 24, 1922
West Virginia	October 2, 1917
Wisconsin	October 20, 1921
Wyoming	March 11, 1950
Canada	August 25, 1953
Canal Zone	November 6, 1934
Territory of Hawaii	May 29, 1936
Philippine Islands	November 17, 1936
Puerto Rico	August 12, 1940
Virgin Islands	June 1, 1951

APPENDIX F

Assets and Insurance in Force 1905-1955

<u>End of</u> <u>Year</u>	<u>Assets</u> (in \$ thousands)	<u>Insurance in Force</u> (in \$ thousands)
1905	\$ 116,097	\$ 532,000
1910	485,408	5,392,285
1915	2,418,481	25,084,432
1920	10,286,459	159,349,378
1925	30,254,054	404,061,193
1930	76,238,358	890,892,187
1935	121,508,674	879,399,795
1936	130,757,669	901,013,233
1937	139,346,396	953,696,951
1938	147,947,028	995,423,126
1939	156,891,185	1,034,849,733
1940	168,640,194	1,091,527,803
1941	180,839,603	1,183,110,270
1942	196,614,460	1,280,205,079
1943	216,736,646	1,425,552,400
1944	241,652,736	1,662,820,982
1945	271,233,701	1,925,290,173
1946	304,449,642	2,362,342,296
1947	339,927,964	2,797,015,739
1948	376,356,289	3,199,862,744
1949	424,478,245	3,487,899,013
1950	470,317,417	3,839,744,957
1951	508,406,950	4,254,724,521
1952	883,600,146	5,760,054,859
1953	958,664,124	6,271,635,884
1954	1,043,936,824	6,865,498,300

APPENDIX G

Balance Sheet as of December 31, 1954

Resources

Cash in bank and office	\$ 13,037,146.99
Bonds and stocks	589,927,953.96
Mortgage loans	332,630,034.88
Loans to policyholders	50,785,915.21
Collateral loans	2,348,401.42
Balance due on properties sold under contract .	927,149.33
Real estate held as investment	22,124,582.48
Home office property	655,000.00
Interest due and accrued	6,678,611.60
Net premiums in course of collection	21,656,081.08
All other resources	<u>3,165,947.12</u>

TOTAL RESOURCES \$1,043,936,824.07

Liabilities

Policy reserves	\$ 800,534,443.66
Additional policyholders' funds	29,652,771.72
Prepaid premiums and interest	14,086,325.93
Claim reserve	9,548,406.63
Reserve for taxes payable in 1955	6,422,105.67
Miscellaneous contingency reserves	89,060,241.28
All other liabilities	<u>4,548,985.70</u>

TOTAL LIABILITIES (except capital) \$ 953,854,280.59

Capital	\$10,000,000.00
Unassigned surplus	<u>80,082,543.48</u>

Surplus to protect policyholders 90,082,543.48

TOTAL LIABILITIES \$1,043,936,824.07

APPENDIX H

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INDEX

A

Accident & Sickness	87-88
Conclusions Concerning	88
Entry	87
Group and Individual	88
Actuarial Department	164-165
Agency	89-120
Bankers in Small Towns	126
Coast to Coast Telephone Broadcast	115
Company Advertisement with Hall's	
Handwriting	108
Contests	110
Cross, Cecil F.	114
Dern, A. L.	111-113
Duties	90
Early Methods of Production	93
Early Salesmanship Bulletins	115-116
First Convention	91
Gilliom, O. F.	100-107
Hall's Agency Contract	94
Hawaii	117
In 1955	119
Method of Securing First Producers	91
Northwest Department, The Lincoln's	126
Part-time	91
Philippine Islands	117-119
Policy Toward Development of	
City and Rural Business	92-93
Rose Card Month	93
Sale of Stock with Insurance	93
Shepard, Walter	94-100
War Risk Insurance	109
Agent of the Year	200-201
Agents, First	19
Ahrens, Robert	153
American Life Convention	49-50, 63
Applications, Required Number of	19-20
Armstrong Investigation	2-4

Assets	215
Association of Life Insurance Presidents	49-50

B

Balance Sheet, as of December 31, 1954	216
Bankers in Small Towns	126
Barlow, Dr. Bryan A.	55
Big Five Policy	84
Bishop, Bill	19-21, 92
Blitz, Max	6, 19, 92
Bobbs-Merrill Company	9, 32-33
Bobbs, W. C.	9, 32
Bracker, Black and White Photography by	182
Boy Lincoln and his Mother	182
Lincoln as President	184
Lincoln at Gettysburg	184
Lincoln the Railsplitter	183
Bracker, M. Leone	182
Brady Photograph	1

C

Cafeteria	82
Causes for The Lincoln's Position Today,	
Suggested	191-192
Charter	14-16
Claim, First Death	22
Coast to Coast Telephone Broadcast	115
Company Character	21
Conclusions	189-195
Credit Union	82
Cross, Cecil F.	66-67, 114

D

Davis, C. R.	40
Dern, A. L.	84, 111-113
Big Five	84
Detroit Life Insurance Company	55-58
Dewey, Federal Judge Charles A.	130-131
Dilday, N. J.	9
Directors, First Board of	16-17
Directors In 1955	199

Disability Clause	84-85
d'Unger, Victor	153

E

Early Days	1-28
Easton, Professor	56-57
Ecker, Frederick H.	154
Emancipator Plan	87
Emancipator, The	84
Experience Refunds	154

F

Financial Condition, First Year-end	21-23
First National Bank	13
Ford, Walter	57
Foster Park	26
Foster, Samuel M.	25-26
Birth	25
Chairman of the Board	26
Donated Foster Park to Fort Wayne	26
Early Training	25
First Company President	26
Newspaper Venture	25
Organizer of German American National Bank	26
Photograph	27
Principal Contribution	26
Shirtwaist Industry	26
Foundation, The Lincoln (see Lincoln Foundation)	
Fraternal Assurance Society of America	5-6,21,121

G

German American National Bank	26
Gilliom, O. F.	100-107
Glover, James W.	57-58

H

"Half a Century With The Reliance"	202-212
------------------------------------	---------

Hall, Arthur F.	29-42,94
Agency Contract	94
Birth	29
Chivalry of Power	33
Circulation Manager	32
Customer - James Whitcomb Riley	30
Death	41-42
Enters Life Insurance	33
Newspaper Route	29-30
Parties for Company Guests	39-40
Personal Characteristics	37
Photographs	12,38
Pledge to Vote	41
Steps to Presidency	35
Typesetting	31
Witnessed Billion Dollar Growth	35
Hawaii, Entry	117
Home Office	155-168
Actuarial Department	164-165
Architect	158
Investment and Mortgage Loan Departments	165-168
Lindbergh Certificate	158
Location	157-158
Personnel and Planning Department	168
Photograph	159
Private Water Supply	158
Roof-Marker	158,160
Statue	160
Wayne Offices	162-163
Hughes, Charles Evans	3-4

I

Ingham, W. H.	20
Insurance in Force	215
Insurance in Force at End of First Year	21-22
Investment Department	165-168

L

Laurent, Gus	118
--------------	-----

Laymen Underwriters	138
As A Suggested Cause For The Lincoln's	
Position Today	192
Life Office Management Association	50
Lincoln Foundation, The	169-187
Archive	171-172
Bureaus	173-174
Duplication Department	172-173
Library	170-171
Museum	171
Origin	169
Paintings	174-184
Publications	173
Lincoln Investors, Inc.	81
Lincoln, Leroy A.	2
Lincoln Life Social and Athletic Association	80-81
Amateur Theatricals	80
Basketball Team	80
Bowling Team	80
Calisthenics	80
Tennis Courts	80
Lincoln Lore	186-187
Lincoln, Robert T	1

M

McAndless, A. J.	
Address Achduth Vesholom Temple	127-128
American Life Convention	63-64
Ancestry	56
Birth	56
Contributions	63-65
Death	67-69
Detroit Life Insurance Company	55-58
Early Training	56-58
Foresight	63
Grange Life Insurance Company	58
Hettinger, A. J.	62
Loss of Savings	57
\$100,000 Dallas Deal	74-75
Personal Characteristics	59

Photograph	60
Reading Preferences	65-66
Reliance Life Insurance Company	65
Steps to Presidency	59
Management	71-78
As One of the Suggested Causes for	
The Lincoln's Position Today	191
Conference Plan, The	74
Mayer, John	133
Mead, Franklin B., Jr.	53
Mead, Franklin B., Sr.	43-53
American Life Convention, The	49-50
Association of Life Insurance Presidents	49-50
Author	47, 50-51-52
Birth	46
Collector of Paintings, Antiques,	
Etchings and Chinese Ceramics	50-51
Death	53
Early Training	46
Horticulture	50
Life Office Management Association	49-50
Pamphlet on Statues of Lincoln	52
Personal Characteristics	52
Photograph	14
Underwriting Conference	47-49
Mellon National Bank	131-132
Menge, Walter O.	193-195
Merchants Life	127-128
Merrill, C. W.	9
Michigan State Life	123-124
Mortgage Loan Department	165-168

N

New Company Movement	4
Night Shift	82
Ninde, Dan B.	6, 8, 16
Noble, W. K.	13-14
Northern States Life	129
Northwest Department, The Lincoln's	126
Numerical Method	142

O

Officers, Early	16-17
Officers, First	17-19
Officers In 1955	198
O'Rourke, Ann	22

P

Paintings Produced For The Lincoln Foundation	174-184
A Great Friend to Little Children	178-179
Abraham Lincoln, The Honest Clerk	174-175
Black and Whites by Bracker	182-184
Lincoln and Son Tad	176
Lincoln's Farewell to Stepmother	181
Lincoln in White House Office	180
Lincoln Visiting the Wounded	177
Paul, William B.	6,16
Personnel	78-83
LNL Credit Union	82
Marriage Policy	79
Night Shift	89
Physical Examination	79
Requirements for Employment	79
Working Conditions	82
Personnel and Planning Department	168
Philippine Islands	117-119
Pioneer Life	125-126
Pioneer Life Insurance Company	110
The Pittsburgh Life and Trust	151-152
Policies, First	21
Policies (see Product)	
Product	83-88
Accident and Sickness	87-88
Coverages Available	88
Emancipator Plan	87
First Rate Book	83
Participating and Nonparticipating Contracts	83
Suicide Clause	87
23-Year Endowment Policy	84
Victory Thrift Policy	85-86
Pullman Company	1

R

Randall, Perry A.	5
Rate Book, First	83
Redding, E. H.	15-16
Reinsurance <u>En Bloc</u>	121-135
As A Cause For The Lincoln's	
Position Today	191
Companies Reinsured, List of	122
Fraternal Assurance Society of America	121
Merchants Life	127-128
Michigan State Life	123-124
Northern States Life	128-131
Pioneer Life	125-126
Reliance Life Insurance Company	121,131-135
Royal Union	130-131
Types	121-122
Reinsurance, Indemnity	122,142-154
Ahrens, Robert	153
As A Suggested Cause For The	
Lincoln's Position Today	191
Competition With European and	
American Companies	154
Contribution	148
d'Unger, Victor	153
Entry In 1917	150-151
Expansion-Central and South America	153-154
Experience Refunds	154
German Firms	151
Good Faith	149-150
Laymen Underwriters	143-145
Need	147
Pools	150-151
Selection of Risks (see Underwriting)	
Service to Eastern Companies	153
Standard	138-142
Substandard	143-145
Types	148-149
Underwriting	137-145
Reliance Life Insurance Company 65,131-135,193,195	
History, See Appendix D	202-212
Mayer, John	133
Reasons for The Lincoln's Purchase	132-133

Rockhill, Howell C.	16
Royal Union	130-131
Ruhling, Theodore F.	16

S

Safford, Frank K.	7
Sale of Original Stock	11,16,93
Salesmanship Bulletins, Early	115-116
Shepard, Walter	94-100
Birth	95
Death	100
Early Training in Dentistry	96
General Agency in California	99
Left Home Office	99
Personal Characteristics	97
Retirement	99-100
Success Formula	99
Shinnick, E. L.	118-119
Shirtwaists, Ladies	25-26
Shreve, Nora	18
Site of Company	17
Slogan, Company	28
Standard Life Insurance, Underwriting	138-142
Factors Considered - Underwriting Risk	139-142
Numerical Method	142
Statement of Business, First	21
Statue, Manship	160-162
Photograph	161
Physical Characteristics	162
Sculptor	160
Straus, Simon	16
Substandard Life Insurance	143-145
A Mead Contribution	143
As A Suggested Cause For The Lincoln's Position Today	191
First Issuance	143-144
McAndless' Work In The Field	145
Philosophy	144-145
Suicide Clause	87
Summary	189-195

	T	
23-Year Endowment Policy		84

	V	
Victory Thrift Account		55,85-86
Victory Thrift Policy		55,85-86

	W	
Wainwright, L. C.		9
Waiver of Premium		84-85
War Risk Insurance		109
Warren, Dr. Louis A.		185-187
Watts, William A.		127-128
Wayne Offices		162-163
West, Arch D.		202
White National Bank		13
Wynant, Wilbur		7

	Y
"Youthful Lincoln, The" (see Manship Statue)	

